



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 27 May 2024, in accordance with Article 102(2) of Regulation (EC) N°1303/2013, Greece resubmitted via SFC2014 a revised application for the above-mentioned major project and a clarifications letter on the issues raised in the Commission's observation letter dated 27 March 2024 (Ref. Ares (2024)2307453).

Following the analysis by the Commission services of the information provided in the updated Application Form and its annexes, the Directorate-General for Regional and Urban Policy concluded that the information provided by the Member State does not offer sufficient evidence to proceed with the positive decision on this project at this stage. Additional clarifications are still needed regarding the major project. Further details are included in the Annex to this letter.

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.

In case the Greek authorities do not reply within the requested deadline, or their comments do not address in a satisfactory way the Commission services' observations, the Commission may adopt a decision refusing the above major project. In such circumstances, the Managing Authority will have the possibility in SFC2014 to withdraw the major project application.

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

Yours sincerely,

(e-signed)

Emma LAREDO TOLEDANO

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Encl.: Annex – request for clarifications

Copy:

Ms Vassiliki Pantelopoulou, Secretary General for ESPA, Ministry of Finance and National Economy

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

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

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

ANNEX

Observations of the Commission services

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

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

1.1 The administrative capacity of the FODSA

Based on the analysis and the data provided, the Commission services are not able to confirm the ability of the FODSA Peloponnesus to set and collect the gate fees from the beneficiary municipalities, make payments to the Region and safely oversee the efficient operation of the waste treatment and collection systems. As a consequence of this lack of capacity, the FODSA, i.e. the long-term beneficiary of the project, has not yet taken over the contractual obligations vis-à-vis the operator.

Regarding staffing, we were informed that 36 people are required to ensure the operation of the 3 Integrated Waste Management Centres (IWMCs), the 15+2 transfer stations, the organisation of the collection side, the development and implementation of the pricing policy and the collection of tariffs. We take note that at present the current level of staffing is far from this target, in as far as the FODSA currently employs only one permanent staff. Considering the discrepancy between these two figures, the Commission will not be in a position to approve the project without urgent and tangible measures to recruit the necessary staff to ensure the minimum level of administrative capacity necessary and required by Law. Please, before the project is decided, 1) provide proof that a total number of 11 staff has been recruited in line with the provision of the applicable Law, 2) provide the job description (type, duration, qualification and experience) of these 11 positions, 3) submit a copy of the capacity certification issued by the Decentralised Administration of Peloponnesus and 4) adapt the table on page 3 of the Appendix I accordingly.

1.2 The financial capacity of the FODSA

Additional tables have been presented with financial information: unaudited financial statements for 2023 and 2024 as well as summary tables for the municipality invoices, Public Private Partnership (PPP) charges and collection rates were presented for years 2022 through 2024.

Municipalities' payments have been 57% and 66% of total invoices in years 2022 and 2023 respectively. For year 2022, there is a delay of two years for the full collection of the corresponding annual invoice.

The information presented in another table for the recovery of PPP charges seems to differ from the previous one for year 2023, where PPP charges amount to EUR 17.56 million, compared to the invoices of EUR 17 million.

In terms of balance to be collected as of May 2024, a total of EUR 6.1 million is still outstanding from 26 municipalities, the municipality of Nafplio and Argos Mykines representing 46% of the total.

The information presented in the tables on PPP service fee payments and revenue collections cannot be reconciled with the information presented in the Budget Implementation Statement of 2023. Reported regular revenue amounted to EUR 12.63 million, whereas reported payments from the regions amount to EUR 10.3 million. Reported total revenues amount to EUR 15.44 million above the total payments and revenues reported in other tables (EUR 15.09 million).

On another hand, PPP service charge category for 2023 (EUR 17.56 million as per PPP table) could not be found in the payments reported in the budget. There are currently two large expenditures registered, “projects” (EUR 21.1 million) and “studies” (EUR 10.2 million), both of which do not seem to be related to PPP service payment.

The Balance Sheet presented for years 2022-2024 reveals that while cash available has increased from EUR 1.9 million in 2022 to EUR 4.5 million in 2023, current receivables (taxes and other fees) have also increased from EUR 3.2 million to EUR 5.9 million. Similarly, short-term liabilities have increased from EUR 3.2 million in 2022 to EUR 8.9 million in 2023. FODSA’s liquidity position has worsened, the ratio of cash to current receivables has decreased from 58% in 2022 to 50% in 2023.

When comparing the reported data to the previously presented data in the excel CBA, the revenues in the excel CBA seem to be overestimated (17% on average), whereas PPP service fee seems to be underestimated.

Please ensure a coherent presentation of the issues addressed above. Furthermore, please provide in the revised project application, evidence of the FODSA's plans and immediate initiatives to stabilise its financial situation, in particular with regards to its ability to effectively collect tariffs and outstanding debt. Please indicate the measures that need to be put in place to 1) recover outstanding debt, 2) ensure that similar debt accumulation does not re-emerge.

1.3 Handover to the FODSA

We take note that the handover of the responsibility for the operation of the 3 IWMCs from the Region to the FODSA will occur only by April 2025, when all facilities will be completed and fully operational. It accordingly matters that the necessary checks are taken to ensure a smooth transition. In this respect, please provide an explanation regarding the legal succession from the Region to the FODSA as well as the necessary administrative requirements (with deadlines for each step and stakeholders involved) and flag potential risks to this process. Please also confirm that already now the region will provide to the FODSA full disclosure of all contractual clauses related to construction and operation.

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

2.1 The dimensioning of the facilities

As indicated in the Guiding principles for the EU co-financing of solid waste projects under the OP “Transport investments, Environment and Sustainable development” (YMEPERAA) 2014-2020, the investment in the treatment of mixed waste must be limited to 50% of the total waste generated in a region. In Peloponnesus, where waste generation is 280,000 t/y, mixed waste treatment capacity should not exceed 140,000 t/y. The facilities included in the major project have a total capacity of 200,000 t/y and are designed to process both mixed waste and separately collected biowaste. However, according to the operational data received from the operator so far, the facilities do not currently receive separately collected biowaste and treat exclusively mixed waste due to the lack of an established separate collection system in the Region. In this respect, we underline that the projections for separately collected biowaste and recyclables included in the application are both unrealistic and not based on tangible measures. As a result, in 2023, the facilities treated 180,000 t of mixed waste and 0 t of separately collected biowaste. Unless specific additional separate collection measures are taken simultaneously to the investment in treatment infrastructure, the MBTs will continue to treat almost exclusively mixed waste.

2.2 Need for a mirrored project in separate collection

As agreed between our services, please confirm that, in parallel to this major project, a grant scheme will be launched, dedicated to the financing of a comprehensive separate collection system covering all waste streams and the entire region of Peloponnese. Based on an analysis of the existing collection facilities, this grant scheme will allow the FODSA – which will be responsible for organisation and collection of separately collected waste - to take all necessary collection measures to efficiently increase the amount and percentage of separately collected waste reaching the mechanical-biological treatment plants that will therefore be transformed into Recycling and Recovery Facilities (RRFs).

Please provide, 1) before the submission of the major project, proof of the launch of the said grant scheme for separate waste collection in the Peloponnese region, 2) before the decision of the mirror project, a copy of the corresponding application submitted by the FODSA, including the State Aid clearance of this application.

2.3 Diversified Gate fee - Pricing policy – Pay As You Throw (PAYT)

Further to our discussions, the Commission services take note that the current contract of the private operator foresees that the facilities will receive up to 200 000 t/y of waste, without specifying the type of waste received (mixed or separately collected). For this purpose, the gate fee is not differentiated depending on the type of the incoming waste.

We welcome the proposal to introduce a differentiated pricing policy to encourage separate waste collection. As part of the revised major project application, a detailed description is needed as to how the FODSA’s differentiated pricing policy (biowaste and mixed waste) will be implemented including an implementation timetable. Please, along with the application, provide evidence of the FODSA’s decision to implement a differentiated pricing policy that efficiently fosters the delivery of separately collected waste for treatment, while discouraging the delivery of mixed waste.

We understand that the tariffs applied by municipalities to households and commercial undertakings are currently based on square meters, which is considered an outdated parameter out of line with the Polluters Pay Principle. Considering that the Law 4555/2018 (article 185) allows for the introduction of tariff setting based on more adequate and specific factors, please, along with the application provide 1) clarification as to when a more adequate and elaborate tariff setting will be put in place, and 2) a timeline for the implementation of Pay As You Throw (PAYT).

2.4 Additional investments required to convert the IWMCs into RRFs

The Commission services take note that the 3 facilities are characterised by inherent flexibility and should, accordingly, be able to receive all separately collected waste streams against minor changes. We further note that the contract with the private operator specifies the quantity (200 000 t/y) but not the composition (mixed, biowaste, plastic etc.) of the waste to be received and treated. Further to this, please provide a proposal and a timetable for the conversion of the facilities into RRFs. In addition, please confirm that the reconfiguration may involve the use of the RRFs by Extended Producer Responsibility (EPR) systems against payment of gate fees.

2.5 Integration of 15 Transfer Stations

We note with concern that there is no clear incorporation of the rationale to set up a network of 15 transfer stations and how they relate to the project.

In the view of the Commission services, these transfer stations are an integral part of the major project and accordingly, their specific function should be explained. Please 1) provide a detailed overview of the state of implementation of each transfer station, 2) explain how the 15 transfer stations will be logistically integrated with the major project, the “mirror” project referred to in point 2.2 and the rest of the system (provide in this regard details on waste streams accepted, waste quantities and logistics and costings of the operation), and 3) confirm that they a) will be managed and operated under the responsibility of the FOSDA with the necessary agreements being put in place, b) will be incorporated in the management of the 3 IWMCs and be operated as an integral part of the entire waste system in the region.

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

3.1 Breakdown of operational & maintenance costs

In Appendix 4 of the file “Interruption letter Peloponnesus_Replies” a response letter of the PELOPONNESE ENVIRONMENTAL S.A (TERNA, private operator) was included. The letter provided the current tonnages treated in the three IWMCs for 2022 and 2023 and the related operational and maintenance cost for 2023. In 2022 the total waste amount treated was 98,298 t/a, and 180,000 t/a in 2023. The total operational cost in 2023 (incl. maintenance) was EUR 12,175,650. It is thereby not clear if the cost includes the operation of the 2 transfer stations, the operation of all three IWMCs and VAT. The specific treatment cost per ton for 2023 would be EUR 12,175,650 /180.000 t/a = EUR 68/ton. This cost can be compared to the previous estimates assuming that it

includes the transfer station costs, the operation of the three IWMCs and excludes the VAT. In this case, the cost is slightly higher than the previous cost estimates. Given that the operational and maintenance costs were given as a total number without an explanation of what is included, the costs per component (transfer stations, mechanical pre-treatment, biological treatment, residues to landfill) could not be verified.

Please clarify and provide the missing budget breakdown to allow for the above-mentioned verification.

4. Option analysis- Art. 101(c) of the Regulation (EU) No.1303/2013

4.1 Start of operation for separate collection systems

The Commission services would like to state that, regardless of the chosen technical solution, all four options assume that the separate collection systems will be fully operational as from 2025. This assumption looks over-optimistic as the documentation shows that the current separate collection rates for all recyclables are significantly below 10 %. The impact of slower than expected separate collection is that the operation of the landfills will be shortened, because the recyclables not being collected will end up in the three landfills. This flaw in the previous project design will be remedied to a large extent by the actions taken in the framework of the above-mentioned mirrored project in separate collection (see point 2.2).

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

5.1 Revenues

Greek authorities provided additional information in Appendix 4 of the file “Interruption letter Peloponnesus_Replies.” A response letter of the PELOPONNESE ENVIRONMENTAL S.A (TERNA, private operator) was included. The letter provided the current tonnages treated in the three IWMCs for 2022 and 2023 and the related operational and maintenance cost for 2023. In 2022 the total waste amount treated was 98,298 t/a, and in 2023 180,000 t/a. The total operational cost in 2023 (incl. maintenance) was EUR 12,175,650. The revenues from recyclables were provided for year 2023 (corresponding to 7 month of operations) and corresponds to EUR 0.45 million.

In the view of the Commission services, this new information does not allow to validate the calculation of the rate of return to the private partners, as projections of expected revenues from recyclables as well as disaggregated Operational & Maintenance costs should have been provided for the reference period.

Please provide the missing information.

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

6.1 Separate collection not included in the economic analysis

The Greek authorities stated that the economic analysis did not include the costs of separate collection as they were not included in the financial analysis. The Commission services would like to state that the argument provided is not valid as the financial analysis is conducted from the perspective of the waste management operator in charge of the IWMCs whereas the economic analysis is conducted from the perspective of society as a whole and must include the incremental costs of transportation. In this regard, the identified benefits associated with resource cost savings can only be realized if separate collection, sorting, and transport takes place, hence costs need to be accounted for in the economic analysis.

Please update the economic analysis accordingly.

7. Financing Plan -Art. 101(h) of the Regulation (EU) No.1303/2013

7.1 Inconsistent data between CBA & Feasibility analysis

The Greek authorities provided the justification that the difference between the excel CBA and the Feasibility analysis stems from the private entity's additional expenditures (these included extra loans taken to cover loan fees, loan guarantees (LGs), and project agency fees). However, the feasibility analysis was not updated to ensure consistency.

Please update the feasibility study accordingly.

8. Project timetable- Art. 101(i) of the Regulation (EU) No.1303/2013

8.1 Indicator to monitor project implementation

Please provide a) the physical progress in completing the project (per plant and TS) accompanied by its economic object and b) the physical object that remains to be completed together with the required financing. In addition, please provide the contribution of the project in meeting the targets (values) of the indicators indicated in the 2014-2020 program.