

STATEMENT BY HON. MINISTER FOR SUSTAINABILITY AND CLIMATE RESILIENCY

**UPDATE ON
THE INTEGRATED SOLID WASTE MANAGEMENT SYSTEM OR 'REGEN' PROJECT**

24th July 2024

Introductory Remarks

Mister Speaker, thank you for the opportunity to make this statement with regards to the Integrated Solid Waste Management System – known to most Parliamentarians as ISWMS, often referred to in the media as the “ReGen” project, and, for the listening audience who may not be familiar to either of those references, I am speaking of the project at the George Town landfill.

The purpose of my statement today is to provide the long-anticipated update on the George Town Landfill project. Mr. Speaker, when I became the Minister in November 2023, the project agreement had only a matter of days remaining before the Longstop deadline of 30 November 2023. However, at that time, certain outstanding condition precedents from both the Government and the Dart Consortium were not achievable by 30 November 2023.

Not being able to meet this deadline meant that a new long stop date would need to be agreed upon between both parties as well as the new date for Financial Close for the project.

After reviewing the Project Agreement, it was decided that before extending the long stop date and agreeing a new date of financial close, all of the elements of the project agreement would need to be considered. This decision was made to ensure that once a new Financial Close date was set, it would indeed be met.

Mr. Speaker, some examples of the condition precedents that remained to be agreed between the parties included the following:

- Risk and insurance, that is, liability and indemnity issues; and
- Local Company Control issues.

Considerations

Mr. Speaker, the Full Business Case for the project sets out that the Power Purchase Agreement is to be signed at or prior to the effective date of the project agreement. As such, this originally was one of the condition precedents of the Project Agreement. Mr. Speaker, upon reviewing the Project Agreement, it was determined that this particular condition had been removed.

Members were advised that the reason why this condition was removed was due to the fact that the negotiations relating to the PPA were becoming protracted and it was removed to avoid any further delay of closing with the Project Agreement. This matter was considered by the members, and there was also a growing concern on the negotiations relating to the cost per Kilo watt Hour

Cabinet was reliably informed that the CIG had previously indicated to CUC that it is was mindful to accept the proposed “energy rate / PPA price” but with some caveats. As such, the mechanics around these caveats were being discussed, which meant that a final price had not yet been agreed.

Essentially Mr Speaker, a fact to consider was that if we closed on this Project Agreement, we did not have a customer secured. The only customer on the island and by closing on the PA before agreeing on a price for the PPA would greatly limit the likelihood of securing a cost higher than what was being considered.

Mr. Speaker, from the completion of the Outline Business Case in the procurement, it was always assumed that the power purchase price would be near to 15¢ per Kwh. However, even at the time of approval of the Full Business Case in July 2023, that energy purchase price had not been secured by the Government, and the Power Purchase Agreement, which should have been completed and signed, long before the Project Agreement was signed - was still not finalized.

In April 2024, Caucus conducted a holistic review of the ISWMS project to date, including, but not limited to, discussion on topics such as a) Value for Money, b) landfilling options going forward, c) fiscal sustainability aka “affordability”, d) insurance thresholds, and e) risk share profile. Caucus Members were also apprised of the options examined in the technical review during the Outline Business Case (“OBC”) stage that was used to determine the best strategy and solution for the long-term solid waste management challenges in the Cayman Islands, those options at the time were:

Option A – Do Nothing was not a practical option at the initial assessment/OBC stage for several reasons but had to be considered in the assessment for completeness;

Option B – Modern Landfill – Delivery of a modernised, lined landfill in-house by the CIG;

Option C – ISWMS PPP – Delivery of the ISWMS by a Public Private Partnership for the construction of new waste to energy treatment facilities; and

Option D – ISWMS In-House – Delivery of the ISWMS Project in-house, with the Government as the general contractor, and thus managing various sub-contractors for the construction of similar or the same new waste to energy facilities.

Following a recent meeting of the Cabinet, it was collectively decided that the Cayman Islands Government should begin taking the necessary steps to exit project agreement, with the Dart-led consortium, in respect of the ISWMS project.

Mister Speaker, put simply, this was decided because we need to find a more affordable option for our country!

The project's affordability was assessed with the proposed Power Purchase Agreement (PPA) energy rate. At the rate proposed, CIG would have to cover the shortfall.

The Ministry of Finance's view is that "affordability" is best judged by reference to the Principles of Responsible Financial Management ("the Principles") that are set out in section 14 of the Public Management and Finance Act.

ISWMS is a long-term project which has significant impact on the Government's forecasts and fiscal compliance over the lifecycle of the project.

The long-term forecast non-compliance with the Principles of Responsible Management would severely restrict the Government's ability to make independent budgetary decisions as it will be required to seek the approval of the United Kingdom Government for budget approval during the forecast period of non-compliance.

As per the Project Agreement, with the expiration of the 30th November 2023 Longstop date, CIG can exercise its rights to terminate the negotiations with DC and ultimately the "Initial ISWMS Project Agreement" that was approved by Cabinet and signed with DC on 26th March 2021.

In the event that CIG decides to exercise its right to terminate the Project Agreement, the parties will have no liability to each other except for any contractual liabilities accrued prior to termination of the Project Agreement. The termination however does not affect CIG's rights, obligations and liabilities under the Early Works Agreement and the Land Transaction Agreement.

I want to reassure the Members of this honourable House and the listening public that this decision by Cabinet was not taken lightly. Achieving a modern, sustainable and affordable solid waste management solution for the Cayman Islands remains a key priority for our Government.

The need to move away from landfilling as our main method of dealing with solid waste is essential to the continued sustainable development of our country. The wellbeing of our people, the health of our environment, and the continued growth of our communities and industries all rely on our islands having access to modern, safe and sustainable waste management systems.

It is clear we need a solution. But what has also become increasingly clear, over the course of months and months of negotiations and analysis of dozens of outstanding condition precedents when the Project Agreement was signed in March 2021, is that we need a solution that is affordable for our country, both now and into the future. It was also clear to the Members of Caucus and Cabinet that the ISWMS project agreement that was signed in 2021 is not it, hence the recent decision by Cabinet.

Mister Speaker, the current administration could not in good conscience continue forward with a deal that would effectively saddle current and future generations with a project that would put undue financial strain and unacceptable levels of risk upon these islands.

We need a solid waste management solution that is financially, environmentally and socially sustainable.

I would like to now share some important background information that will help explain why Cabinet came to this collective decision. I will conclude with updates as to what the Government's next steps will be in relation to this project, and what the public can expect to happen once the Cayman Islands Government and the Dart-led Consortium have exited the project agreement.

Mister Speaker, before I go further, I want to make it clear that Cabinet's recent decision was for the project team to take the necessary steps to exit the project agreement in a way that would be agreeable to both sides.

As Members will recall, in late March of 2021, just a few weeks before the General Election, the Cayman Islands Government under the former Ministry of Health, Environment, Culture and Housing, signed a Project Agreement to enter into a contract with Dart Consortium to design, build, finance, maintain and operate a new integrated solid waste management system for a twenty-five year period. Alongside this, but in a separate and legally binding Agreement, the Government approved the Dart Consortium to undertake closure and Remediation works to the George Town Landfill.

In October 2021, the Ministry of Sustainability and Climate Resiliency was given the responsibility of managing the ISWMS project to financial close. When this new project team took over the role for managing the project, it was discovered that there were dozens of condition precedents outstanding to be negotiated or agreed. Between October 2021 and when I took on the role of Minister for Sustainability and Climate Resiliency in November 2023 that is approx. 2 years, the Government's project team continued to have rigorous negotiations with the Dart-led Consortium.

It has been presented by some that the Project Agreement signed in March 2021 amounted to a fully negotiated contract that simply needed to be taken forward and executed by 30 September 2021. That is not so Mr. Speaker. Given the dozens of outstanding matters discovered from October 2021, it is no wonder that these negotiations have taken such a long time.

Although steady progress continued to be made, the financial close deadline and long-stop date for the project agreement negotiations were moved several times in an effort by the Government and Dart to wrap-up negotiations and move the project forward.

Despite months and months of project meetings and several presentations to Cabinet, it became increasingly clear that the cost of the project and the risk profile that the Cayman Islands Government was being asked to accept was untenable.

The ISWMS project was poised to be the most significant capital project that our country has ever undertaken, and the level of negotiations taking place reflected that fact. All parties were working diligently to try to reach a consensus on the outstanding condition precedents, and to navigate the challenges of rising costs and supply chain interruptions. At the end of the day, this decision by Cabinet was taken based on facts and figures, and in the firm conviction that a more affordable solution is needed for our country.

I am sure many in our community will be very concerned about the amount of money, time and resources that has been spent on this project so far, and as to what will happen next to ensure this investment does not go to waste.

Mister Speaker, a number of important steps have been taken over the past seven years since the Dart Consortium was announced in 2017 as the preferred bidder for the project.

Following the Early Works Agreement signed in October 2020, the main mound at the George Town Landfill was closed and has undergone important remediation works. Between October 2020 and March 2024, the Government has spent approximately twenty-three million dollars on remediation works at the George Town Landfill. Of this amount, approx. \$14million has been spent under the Ministry of Sustainability and Climate Resiliency from January 2022 to date.

It is important to note that this agreement to facilitate the George Town Landfill closure and Remediation work is separate and will continue regardless of the status of the ISWMS project agreement.

This project has also resulted in a successful programme to process end of life vehicles for recycling overseas. To date, the Dart Consortium has processed over thirty-five thousand short tons or thirty-two million kilograms of scrap metal for overseas shipping and recycling.

Impactful changes were also made to landfilling operations to ensure accurate measurement of waste volumes and effective waste cover to prevent odours and fires.

Most importantly, the Government has learned a lot over the course of the project negotiations. Insights which we believe will position us well to quickly tender a request for proposals for a new waste management solution.

Next Steps

Mister Speaker, although there are still a number of discussions to be had and decisions to be taken by Cabinet, the Government is reviewing and updating the National Solid Waste Management Policy and the Strategic Outline Case for ISWMS, and will be preparing to tender a new request for proposals. Knowing what we know now, we are confident in our ability to tender a new waste management solution which will be affordable for our country now and into the future.

Some in our community will be asking: Do we really have time to go out to tender again for a new waste management solution?

The answer to that question is yes. Based on the forecast rate of waste input per month, the Department of Environmental Health, under the Ministry of Health, is confident in their ability to maximise the existing space at the George Town Landfill until a new solution is determined. Barring a major debris-causing event such as a hurricane, the Department of Environmental Health expects to have another five to six years of landfilling space before reaching the 70-foot contour on the northwest mound of the current landfill, when Phase Two of the remediation at the GT Landfill can then begin. We have also been advised that, if the Government needs to, we can go higher than the 70-foot contour, which could extend our landfilling space and thus increase our time to procure a modern, affordable, comprehensive national waste management solution for our Islands.

And, Mr. Speaker, beyond the logistical concerns of space at the landfill, the reality is that we urgently need a modern, sustainable and affordable solid waste management solution for the Cayman Islands. Even as we make small but steady steps towards limiting the importation of single-use plastics into our islands, our recycling capabilities remain limited and our landfill continues to grow with our increasing population and visitor numbers. Our goal now is to take all of the insights we have gleaned through the procurement process, and apply those lessons learned to tender a revised project that will be achievable, affordable, and meet the needs of ALL of our islands, now and in the years to come.

Once both parties have exited the project agreement, the Government intends to issue a revised National Solid Waste Management Strategy and Strategic Outline Case, followed by procurement for an updated solid waste management solution for the country. This is necessary to ensure the Government is adhering to the fundamental principles of public procurement such as transparency, fairness, competition and value for money. The intent is to utilise, as far as possible, previously created documents and resources in order to ensure we are being as economical as possible in terms of the time and cost to complete a new Outline Business Case for an updated version of this project that better meets the needs of our islands.

While the decision as to which Ministry will take this process forward is at the discretion of Cabinet, my Ministry is well-prepared to continue our role as the lead agency for the project procurement going forward. This will ensure continuity of the Government's project team who have the benefit of years of experience of negotiating a project of this magnitude and unique challenges. This will enable the Government to administer the procurement process in the most cost-effective and efficient manner.

Mister Speaker, the ISWMS project was never going to be an all-encompassing solution to our waste management challenges.

In addition to Government's responsibility to advance a sustainable, holistic solid waste management solution, Government has the opportunity to support individuals and organisations who are trying to pursue sustainable business practices and develop new products and programmes that benefit our people, economy and environment. .

Mister Speaker, our natural environment is essential to keeping our communities healthy and safe. The Department of Environment and the Department of Environmental Health play distinct but complementary roles in safeguarding the health and wellbeing of our people by ensuring the protection of our ecosystems, the quality of the air we breathe and the food we eat, the preservation of unique species which are found nowhere else in the world, and enabling the sustainable treatment of solid waste.

If there is one thing the Environmental Impact Assessment – or EIA – process for the ISWMS project has demonstrated, it is that we have a lot of work to do in terms of developing the legislative framework necessary to effectively support the delivery and ongoing operations of such a project.

The work ahead of us includes:

- The development of local air quality standards and related legislation to govern air quality emissions.
- The development of effective Governmental permitting arrangements to ensure we are prepared to handle the long-term environmental oversight of such projects.
- And, the development of waste management strategies and techniques for the Sister Islands which adequately service the people of those communities and are in line with the waste management standards and practices proposed for Grand Cayman.

For each of these important projects, the obvious synergies between the Departments of the Environment and Environmental Health are clear.

Closing

In closing, Mister Speaker, I would like to reiterate three, key messages from my remarks today:

First, Cabinet has taken a decision that the Cayman Islands Government and the Dart-led consortium will begin taking the necessary steps to exit the project agreement for the ISWMS or ReGen project.

Second, the Government is prepared to employ all of the lessons learned over the years of this procurement in order to procure a new solid waste management solution as quickly and cost-effectively as possible.

And, third, achieving a modern, sustainable and affordable solid waste management solution for the Cayman Islands remains a key priority for our Government.

Finally, I want to take this opportunity to thank the members of the project team – those representing Government and those representing the Dart Consortium – for their dedication to this project over the years, for their continued patience and cooperation as we exit the project agreement, and for their support going forward.

This may be the end of one chapter but it is not the end of the story. We have a lot of work ahead of us – important, necessary work – to ensure we are able to manage our solid waste effectively and sustainably in the long term.

The wellbeing of our people, the success of our economy, and the health of our environment depend on it.