

REBOOT 2020

The Future of Business

July 2020



ONE MAN'S TRASH: THE STORY BEHIND THE SUCCESS OF BELGRADE'S WASTE-TO-ENERGY PROJECT

It was March 2016. Thirty to forty professionals made polite introductions on the 5th floor of a Belgrade office building and took seats around the large marbled room to follow the PowerPoint presentation. This was the start of the first competitive dialogue meeting for the "PPP Project for the City of Belgrade for the Provision of Services of Treatment and Disposal of Residual Solid Waste". Wolf Theiss was at the table with our client.

The task at hand was the Vinča landfill. With its reported size of "185 European football fields", **Vinča is the largest open dumpsite left in Europe** and is precariously located near the banks of the Danube. Even with the threat of *leachate* from decades of accumulated waste seeping into the river, Vinča still receives roughly 4,500 tons per day of (primarily) household and construction waste. With the population of the Serbian capital, and thus the quantity of waste, only projected to rise, the City of Belgrade needed a forward-looking solution to a historic problem.

Perhaps this is why the winning technical solution of our client, the consortium of **SUEZ**, the global leader in waste and water services, and **ITOCHU**, one of the largest Japanese *sogo shosha* (general trading companies), was all the more fascinating. The solution, among other features, entailed the precise process of remediation and closure of the existing landfill, and also the construction of a state-of-the-art facility which will not only treat future municipal waste, but utilize it as **a resource to generate both heat and electricity for the city.**

Now, although the consortium had previously successfully developed several such projects in other countries, there was a systemic challenge to overcome in order to implement the envisaged project in Serbia:

Not only was this project, just by itself, the first test of a true public-private partnership model in Serbia, but the technical solution proposed required the seamless interplay of local communal services and waste management laws, energy market regulations, and city-level heat generation rules, while all of which were not initially designed to work together.

This challenge is one we often see in emerging markets – finding steady footing for the development of innovative, complex and technology-driven projects in more rigid and often untested legal frameworks. That said, what made this exercise more formidable was the goal to develop a project not only compliant with present-day legal requirements in Serbia, but one that will have a place in Serbia's ongoing accession efforts to join the EU.

Moreover, this EUR 300 million project had to meet the supranational requirements of its lenders – the three International Finance Institutions: the IFC, the EBRD, and the OeEB – well-known for their high environmental and social standards.

In our case, the multi-disciplinary team on the sponsors' side carefully considered the various aspects of the project from different angles, often brainstorming future developments, testing each under a set level of standards, and in the process, improving the contractual structures in order to withstand potential disruptions during the envisaged 25-year lifecycle of the project.

The synergies created by the combined work and close cooperation of leading international and local technical, environmental, financial and legal specialists are one of the pillars of the success of this project.

A further important aspect of this project's structuring is the establishment of proper and efficient communication channels with all stakeholders involved – a feat more easily said than done. For several years now, a key requirement for the project's SPV, Beo Čista Energija, has been to coherently and efficiently liaise with its partners: both electricity and heat off-takers, several EPC contractors and public utility companies in the waste sector, in order to allow the project to run smoothly.

Beyond its contractual structures, this project is one which must co-exist in Belgrade and work with its numerous stakeholders: ranging from the public partner - the City of Belgrade, policy-makers in the fields of waste, construction, electricity and heat, and, very importantly, the general public.

This project proves that active stakeholder engagement and the creation of open and efficient communication channels among the different levels of stakeholders are critical elements of success.

In the years of its development, it has been rewarding to watch this project transition from the PowerPoint slides to the bustling construction site.

Fast forward to May 2020. With our kids' online lessons and our pets making noises in the background, our team spent most days on conference calls working out the few remaining conditions precedent. Under curfews and lockdowns in our various countries, it made for quite a closing.

About WOLF THEISS

Wolf Theiss is one of the leading European law firms in Central, Eastern and South-Eastern Europe with a focus on international business law. With 340 lawyers in 13 countries, over 80% of the firm's work involves cross-border representation of international clients. Combining expertise in law and business, Wolf Theiss develops innovative solutions that integrate legal, financial and business know-how.

For more information about our services, please contact:



Andelka Todorović

Counsel

andjelka.todorovic@wolftheiss.com

T: +381 11 330 2900