ANNEX 6

CORY
RIVERSIDE ENERGY

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Mr M Broxup
Western Riverside Waste Authority
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5 February 2018

Dear Mark

I write further to our conversations regarding our intended development of additional waste processing capacity on our freehold land adjacent to the existing Riverside EfW facility (termed "Riverside 1" below).

The purpose of this letter is to open up consultation with the WRWA; set out those headline matters we anticipate being of most interest in that consultation; and seek your initial response asking you to affirm any other matters that you would particularly want to be considered as part of the consultation process.

The new energy generating facility (named the Riverside Energy Park or "REP") will provide a further 650 tonnes /annum capacity for processing waste into energy (c. 68MW energy generation), together with integrated battery storage facilities to offer new peaking capacity (c.20 MW), a roof mounted solar array (c. 1 MW) to help provide parasitic load, and an integral 29,000 tonne per annum anaerobic digestor designed to process the food waste (c. 1 MW) and efficiently utilise some of the residual heat generation from the EfW process.

We will provide you with briefing note setting out further detail on the proposed REP, including preferred site layout, key functionality, selected technology, and the main social and environmental benefits of the development.

The REP is being developed by Cory Environmental Holdings Limited ("CEHL") (or a newly formed subsidiary of CEHL incorporated for the development): that is, by equity funding rather than from RRRL's current debt.

The development process and timeframe

As these generating elements of REP would generate a nominal rated electrical output of up to 96 MW (combined capacity), they are classed as an onshore generating station with a capacity of more than 50MW and, as such, constitute a Nationally Significant Infrastructure Project ("NSIP"). Accordingly, these generating elements of the REP can only be consented via a Development Consent Order ("DCO") under the Planning Act 2008 ("2008 Act").

We will therefore be seeking consent for REP by way of a DCO application to the Secretary of State for Business, Energy and Industrial Strategy (Secretary of State), which will be examined on the Secretary of State's behalf by the Planning Inspectorate. In November 2017, Cory provided the Inspectorate with this notification and the REP is now listed on the Inspectorate's website, with the expected application submission date as Q4 2018.

Before submission, we are under a statutory duty to consult certain organisations and people under section 42 of the 2008 Act. This includes WRWA. We are also required to consult the local community, which we intend to do formally in late spring / early summer this year.

Following "Acceptance" of our DCO application by the Secretary of State, we anticipate the process through examination to a decision will take 15-18 months. More detailed design of the facilities ahead of construction will commence in 2020 once the DCO has been secured through the NSIP process, with construction anticipated to begin later that year, concluding in 2024 with full operation thereafter.

The Energy Park's Interface with Riverside 1 – common assets

We anticipate that REP initially will be predominantly a standalone, merchant C&I facility, although LACW contracts which arise in the future will always be of keen commercial interest. Much of the waste throughput for REP will be delivered through use of the river, capitalising on Cory's experience and determination to bring environmental benefits to London through our business.

Although we are currently in discussions to develop additional riparian facilities in future, our baseline plans anticipate much of REP's C&I waste originating through the existing licensed WTS at LBTH and Tilbury (which currently enjoy significant surplus handling capacity), as well as flowing through the City of London, Smugglers Way and Cringle Dock WTS where more limited incremental capacity also exists. Direct deliveries by road will no doubt continue to play their part, although of course we anticipate the majority of the waste to be transported by river.

We can see from the current operational experience as well as from initial studies, undertaken by Haskoning, that the existing jetty has more than enough capacity to handle the additional waste throughput without the need for any extension or change in configuration. The proposal is therefore for REP to share access rights over the existing jetty, to allow for similar use as currently exists for Riverside 1. Rights of access for REP over the jetty and associated infrastructure will be sought via the DCO, with appropriate provisions made to guarantee Riverside 1's access requirements, for example priority of access for Riverside 1 in the event that the jetty is unforeseeably constrained for any reason.

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The existing internal road layout on the site will be reconfigured with an additional exit from the roundabout to allow vehicle movements from the jetty and road access/egress to/from the REP facilities. Whilst these roadworks appear to be relatively straightforward, there is a possibility that the work could unexpectedly temporarily disrupt current vehicle access to Riverside 1. We are currently undertaking the detailed construction works planning to fully understand this impact. However, it is imperative for our own business that any disruption is minimised, and that service to our Riverside 1 customers remains as excellent as ever. We will therefore be aiming to keen any disruption to an absolute minimum. We recognise that any issues adversely affecting the WRWA must be properly protected against and resolved. We will of course work closely with you to achieve this. We would greatly appreciate your cooperation and support for this exciting project during this initial planning phase and throughout the DCO examination process, especially in discussing and reaching agreement on the interface between Riverside 1 and REP during construction and operation.

In light of the matters outlined above, we would like to discuss with you how we intend to protect the interests of RRRL (as owner of Riverside 1), the lenders to Riverside 1, and by extension, WRWA's interest in Riverside 1 to the extent that it could be impacted by the proposed REP development. Any mechanism agreed with WRWA, whether it be an interface agreement or a set of protective provisions that will form part of our DCO application, will address impacts that may occur during construction as well as once the REP is fully commissioned and operational. Given our proposal to provide a mechanism for the protection of RRRL, lenders and our customers including WRWA, we do not anticipate CEL requiring formal standalone consents from WRWA or amendment of the WMSA in order to construct or operate the plant.

We trust that the WRWA, after receiving the successful service standards and smooth operation over the last six years, along with the tangible environmental benefits from:

- 200 kg of carbon saved per 1000 kg of waste processed compared to a traditional "landfill & gas" solution;
- some 100,000 truck journeys taken off London roads every year, with attendant congestion, environmental and safety benefits;
- enough electricity generated to serve 160,000 homes; and
- c. 200,000 tonnes/year of construction aggregate mining avoided will be able to commend our extension of service to customers on a larger scale through our planned infrastructure investment in the REP.

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Subdivision and land sale

The indicative "red line" boundary area in the attached project brief shows the anticipated extent of the REP. It sits to a great extent on land already owned by RRRL. This land is surplus to Riverside 1's requirements and is in no way needed for RRRL to perform its services for customers in accordance with its contracts (defined as "Surplus Land"). It is our intention for RRRL and CEHL (or the new subsidiary of CEHL incorporated for the purpose of this development) to enter into an agreement for CEHL to purchase the Surplus Land at fair market value.

As you know, WRWA is currently a party to the Headlease and Underlease of this land. The WRWA (as lessee) pays a peppercorn rent to RRRL (as the freeholder) under the Headlease and receives a peppercorn rent (as landlord) from RRRL (as lessee) under the Underlease. This lease structure was put in place to facilitate WRWA's immediate access to the existing Riverside 1 EfW facility in the unlikely event of a termination event under the WMSA.

However, the Surplus Land is unnecessarily the subject of those back to back lease arrangements (even though completely surplus to the needs of Riverside 1 operations and ownership).

Under the current arrangements, the Headlease, and WRWA's rights under it are effectively suspended unless the Underlease terminates.

I would be most grateful, please, for WRWA's consent to subdivide the Leases and for WRWA to relinquish its landlord and lessee interests in the Surplus Land, whilst rightly and properly retaining those interests in relation to the land required for Riverside 1.

We believe that it is in both parties' interests to come to an amicable agreement in relation to this Surplus Land in advance of the DCO application, to enable the development to proceed in an efficient and effective manner and avoid potential exercise of compulsory acquisition of any existing property rights.
I would be pleased if we could have a discussion on this issue sooner rather than later, to determine a mutually sensible outcome, recognising the limited relevance of the Surplus Land to Riverside 1 and its industrial nature.

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Conclusion and next steps

CEHL's application for planning to the Secretary of State under the 2008 Act will not in itself impact on any provisions of the WMSA. Nonetheless, WRWA is an important consultee and stakeholder in that planning and development process.

I look forward to hearing your thoughts on the matter. Perhaps we could set up a meeting to take place in a fortnight's time.

Yours sincerely

Nicholas Pollard
Chief Executive

Western Riverside Waste Authority

General Manager: Mark Broxup

Western Riverside Transfer Station,
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FREEPOST RIVERSIDE ENERGY PARK

Contact: Mark Broxup

Direct Dial: 020 8875 8888

Date: 17th July 2018

Your Ref: EN010093

Dear Sirs,

Riverside Energy Park, Belvedere, South East London
Statutory consultation on a proposed application for development consent
Section 42 Planning Act 2008 (and regulation 13 of the Infrastructure Planning (Environmental Impact Assessment) Regulations 2017

We are in receipt of your letter dated 12 June 2018, and are writing to object not to the concept of the Riverside Energy Park, but in relation to the proposed award to the Applicant of compulsory purchase powers to take land/land rights from its fellow group company Riverside Resources Recovery Limited (**RRRL**).

The Authority is both the lender and owner of last resort of RRRL under the terms of a highly complex public private partnership arrangement, pursuant to which RRRL has afforded security rights over its land to the Authority and has to make available such land (including that part of RRRL's land sought to be used by the Applicant) to the Authority in certain pre-defined circumstances.

It is our view the Applicant should not be permitted to frustrate these arrangements on any basis other than on terms freely agreed with the Authority, especially as these arrangements were entered into by an associated company to the Applicant to enable the development of the existing energy from waste facility. The issues involved do not revolve solely around monetary compensation but include maintaining the security of the disposal route for the general waste generated by the Authority's constituent councils.

As such, the Applicant should not be awarded compulsory purchase powers over RRRL's land. The Authority does however hope that a mutually acceptable negotiated

accommodation can be made with the Applicant and will endeavour to reach such a settlement in due course.

Yours faithfully,

Mark Broxup
General Manager

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Mark Broxup
General Manager
Western Riverside Waste Authority
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London SW18 1JS

2nd March 2019

Dear Mark

CORY - RIVERSIDE ENERGY PARK

Thank you for meeting us on 28 February to discuss Cory's Riverside Energy Park ("REP") development and its impact on the Western Riverside Waste Authority. We were heartened by WRWA's constructive approach to these negotiations and its conditional support for the REP development. WRWA is and will remain Cory's most important customer, and we are keen to ensure that WRWA supports the REP development and feels that its rights and interests are protected throughout the development and long-term operation of REP.

BACKGROUND

1. We consider the interests of WRWA to be fully aligned with those of Riverside Resource Recovery Limited's ("RRRL") funders and the current shareholders of the Cory Group. As we explained at the meeting, it is highly likely that the equity in REP will be owned by a separate group of shareholders, and will be manged and operated on an arm's length basis (within the Cory Group). The RRRL lenders and the current shareholders to the Group will not accept any deterioration in the risk profile of the asset as their lending/ownership and return is based the current low-risk infrastructure profile of the assets.

2. As explained in our meeting, RRRL's (and any successor in title) rights to access the existing Riverside EfW facility ("Riverside 1") and its apparatus (electrical cables etc) will be protected by Protective Provisions enshrined in the REP Development Consent Order, which is a statutory instrument. Further, the interfaces between REP and Riverside 1 will be governed by a commercial agreement, the Master Interface Agreement ("MIA"), which will ensure that the two facilities work efficiently side by side and risks/liabilities are clearly and appropriately allocated.

3. As we discussed, we believe that the development of REP, on the whole, benefits Riverside 1, and consequently also has benefits to WRWA. These include:

    a. Expanded asset base serving both facilities increasing operational resilience – e.g. additional tugs, barges, containers, dock tractors & trailers, larger ash treatment facility.

    b. Expanded engineering and operating team covering both facilities – providing greater operational resilience.

    c. Back-up power provision.

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d. Increased waste storage to reduce the likelihood of diverting waste to landfill.

4. Feasibility studies by Royal Haskoning have demonstrated that the Middleton Jetty can handle the volumes of waste for and ash from both REP and Riverside 1, and further studies carried out by Peter Brett Associates have confirmed that Norman Road and the access into the Belvedere site can handle all waste input and residue output volumes for Riverside 1 and REP in the event of a jetty outage.

WRWA'S CONCERNS

5. However, we recognise and appreciate the concerns that WRWA has raised, which we understand can be summarised as:

    a. WRWA's loss of security as a result of RRRL's proposed sale of land (on arm's length terms) to the REP development company, Riverside Energy Park Limited ("REPL"); and further the consequential inability for this surplus land to be used in the event of a change of law that results in a category of General Waste needing to be treated differently (e.g. the compulsory separation of food waste, as proposed in the draft Defra Waste and Resources Strategy) ("Land issues")

    b. REP will be using some of Riverside 1's assets, which were paid for partly through the WRWA gate fee ("Shared Assets issue")

    c. Cory may develop REP or attribute benefits to REP in a way that, had such benefits been attributed to Riverside 1 instead, WRWA would have obtained part of such benefits under the WMSA. Selling electricity from REP rather than Riverside 1 through a private wire at better-than-wholesale rates (e.g. to the proposed data centre development) was provided as an example ("Avoiding Benefits issue")

    d. WRWA believes the current drafting of the Authority Energy Payment means that in certain circumstances the sale of heat from Riverside 1 could result in an adverse financial outcome for WRWA. While not an issue relating to REP, WRWA is keen to address this concern as part of any final settlement ("Sale of Heat issue").

    e. Riverside 1's obligations to REP in the event of termination of the WMSA and handover to WRWA are unclear ("Termination issue")

CORY PROPOSAL

6. Below, we set out our proposal for addressing each of the above concerns. Please note that the offer is made as a whole, with each component dependent upon acceptance of the others. This offer will remain in place subject to WRWA officer endorsement of the offer by 19 April 2019 – permitting acceptance of the offer by WRWA on 01 May 2019.

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Land issues: loss of security

7. WRWA has a leasehold interest in RRRL's freehold land at Belvedere. Some of this land is surplus to Riverside 1's operational requirements, and it is proposed that REP be built on this surplus (and surrounding, non-RRRL) land. The land has therefore been included in the "red line" boundary in the DCO, meaning that it (and all associated interests in it) could be compulsorily acquired by REPL in the event that settlement is not struck with either or both of those parties that have an interest in the land (RRRL and WRWA) and certain criteria is met. However, all parties recognise and agree that it is prudent and sensible to come to a commercial agreement relating to the sale of this land and the associated relinquishment of WRWA's leasehold interest.

8. WRWA is concerned about its loss of security in such an event. If it no longer has an interest in the surplus land, in the event of termination of the WMSA (pre-2032) or the RVA (2032-2046), it has a smaller security package than it currently enjoys. The freehold interest in this land has been valued by Ardent Management Limited at c.£3.15m (Red Book valuation).

9. Cory recognises this concern. Therefore, we would like to offer to WRWA a performance bond relating to the value of this land, which would be payable upon termination of the WMSA or RVA. This would have an annual operating cost impact of c.£57k pa (indexed) at a 1.8% bond value. In return, WRWA shall agree to the subdivision of the RRRL freehold and the sale of the surplus land to REP; and shall remove its objection to REP.

Land issues: change in law

10. We recognise that, by selling the surplus land to REPL, it will no longer be available as anticipated under clause 6.1A of Schedule 15 of the WMSA. The likelihood of this clause being invoked has increased following the publication of Defra's draft Waste and Resources Strategy, which has indicated that the separation of food waste from general waste may become mandatory.

11. We note that this land could not be immediately utilised for Change in Law purposes without, for instance, a planning application being submitted and accepted by the London Borough of Bexley for the provision of (for example) an Anaerobic Digestion facility on the site. This would involve the re-location of the current wasteland habitat at the RRRL facility, which would have to be dealt with as part of the planning application and the construction of such a facility.

12. Recognising the need for greater treatment capacity for food and green waste in London, the REP design and DCO planning application includes a 40,000 tonne AD facility which can accept food and green waste.

13. Cory is therefore able to offer WRWA an option agreement whereby, if the law changes in a manner similar to that proposed under the Waste and Resources Strategy, WRWA can send its food waste (and green waste, if applicable) to REP upon the following terms:

    a. A market testing exercise will be undertaken at the time to establish the cost of disposal for equivalent food and green waste (if applicable) in London – capacity at the AD facility will be offered to WRWA based on this evidence.

    b. The cost of disposal for WRWA's food and green waste at the AD facility will not exceed the EfW Disposal Rate.

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c. REP will share 50% of the electricity revenue above [redacted] obtained from the proportion of waste provided to the AD facility by WRWA (by weight). REP will also share 50% of any sales of biodiesel produced by the AD above [redacted] obtained from the proportion of waste provided to the AD facility by WRWA (by weight)

14. This offer is made on the basis that the WMSA be amended to remove reference to RRRL's land being able to be utilised in any future applicable change of law.

15. This offer does not include any costs associated with any other service changes required to deal with food or green waste, including modifications to WRWA's waste transfer stations, modifications to waste containers and transport arrangements to the AD facility, which shall be dealt with under the terms of the WMSA.

Shared Assets issue

16. The Middleton Jetty and Norman Road were constructed, and are owned, by RRRL to enable waste to access the RRRL facility. We note that these facilities were designed and built to service the RRRL facility and were not oversized to allow for future developments at the Belvedere site.

17. The REP development will rely on the Middleton Jetty and Norman Road assets as its sole access points for waste. In recognition of the fact that REP will rely on these common assets, we propose that REP make a payment to WRWA of [redacted] of its waste treated at Riverside 1 from the date of its successful commissioning to the end of the current EfW services contract with CEL in October 2032.

18. This discount has been arrived at by comparing the proportional usage of the Middleton Jetty and Norman Road by WRWA over their asset lives in the absence of REP, with the proportional usage of the jetty and the road by WRWA including the full usage of the jetty and road by REP. The reduction in proportional usage by WRWA when REP is also utilising the shared assets is then multiplied by the original cost of the jetty and the road (c£48m) to calculate the reduction in the original capex cost that is attributable to WRWA's overall use of the assets. This saving is converted to a per tonne rate by dividing the calculated reduction in capex attributable to WRWA by the forecast waste volume in the period from the estimated date of successful commissioning of REP (30 September 2024) to the end of the WMSA in October 2032. The full calculation is set out in the attached excel worksheet (Appendix 1)

Avoiding Benefits issue

19. As REP will be adjacent to Riverside 1, you have raised the concern that Cory could choose to supply a third party with electricity via a private wire, or supply a third party with waste heat, instead of having such electricity/heat being supplied from Riverside 1, thereby potentially depriving WRWA of benefits it would have otherwise received under the Authority Energy Payment mechanism in the WMSA.

20. WRWA should be assured that, as the ultimate shareholding of REP is likely to be different to that which owns RRRL, and that the data centre project is in RRRL's business plan (with heat being an opportunity in the plan), the RRRL shareholders would never permit the above to occur.

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21. However, to provide added comfort to WRWA, Cory offers to undertake to WRWA that any private wire or heat opportunity shall first be developed and maximised from Riverside 1, before REP can exploit a similar opportunity.

Sale of Heat issue

22. We understand that the WRWA believes the current drafting of the Authority Energy Payment means that in certain circumstances the sale of heat from Riverside 1 could result in an adverse financial outcome for WRWA. Following our meeting on 28 February we requested some further information, and worked examples, so that we can understand precisely your interpretation of the drafting, and the circumstances you envisage.

23. We suggest that along with the information requested WRWA make a proposal for the amendment that it wishes to see in the WMSA for us to consider.

Termination issue

24. In the event of termination, as WRWA has recognised, it is important that REP continues to enjoy the benefits of the interface agreement between it and RRRL – most importantly, those benefits related to access across the jetty, use of the jetty cranes, shared use of the internal roads / ramps, and shared use of the weighbridges.

25. Therefore, the offers above are made on the basis that WRWA will continue to honour the Master Interface Agreement in the event of the termination of the WMSA and handover to WRWA and will respect REP's permanent right of access across these shared assets. Furthermore, the offer is on the basis that WRWA will support all necessary steps to be taken in order to ensure REP's enduring legal right of access across assets owned by RRRL (for example, registering the MIA on RRRL's freehold title and/or attaching a restriction on the land requiring any leaseholder or freeholder of the remaining Belvedere site upon which Riverside 1 sits (currently owned by RRRL) to comply with the relevant provisions of the MIA)). We note that in the event there is a waste supply agreement between RRRL and REPL, we would not expect WRWA to continue in this commercial arrangement if it did not wish to do so.

DOCUMENTING THE AGREEMENT

26. Any documentation (e.g. amendments to leases; amendments to WMSA; restrictions on the freehold) will form part of the financing of REP and shall only come into effect upon the successful financing. The final agreed documents will require the approval of the RRRL lenders.

27. Cory therefore proposes that the agreement be drafted as a binding letter of intent, noting the condition in paragraph 26 above, and that this shall be sufficient for WRWA to remove its objection to the REP development. Cory would like to avoid the need to take this agreement to the RRRL funders until it is doing so as a wider package to enable the financing of REP.

28. As discussed, we have authority from our board to cover WRWA's reasonable costs in assessing our offer, it is our expectation that these costs will not exceed [redacted]

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29. In addition, we will cover WRWA's reasonable costs incurred in representing their interests in the development consent examination process up to a cap of [redacted], provided that a full commercial settlement is reached between Cory and WRWA, and is documented.

30. In order to assist with the management of our costs we require monthly narratives from any advisers you engage. The costs should be clearly separated between those incurred in reviewing our commercial offer, and those incurred in representing the WRWA's interests in the examination process.

We look forward to discussing this offer with you further.

Yours sincerely

[redacted]

Ben Butler
Chief Financial Officer

Western Riverside Waste Authority

General Manager: Mark Broxup

Western Riverside Transfer Station,
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Date: 5th April 2019

Mr. B. Butler,
Cory Environmental Ltd.,
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LONDON EC1R 5HL

SUBJECT TO CONTRACT

Dear Ben,

RE: CORY - RIVERSIDE ENERGY PARK

I write in response to the proposals within your letter of 25th March 2019 with respect to Cory's proposed Riverside Energy Park.

As a preliminary point, thank you for your agreement to cover the Authority's costs in trying to reaching a commercial agreement. Thank you also for agreeing to cover the Authority's costs in defending its position at the planning examination (assuming an agreement is reached) but the Authority still see no reason why those costs should be capped, given that they are a consequence of how Cory had decided to pursue its application. Had Cory chosen to try and reach agreement with the Authority much earlier in the process then those costs could have been avoided. The Authority would therefore ask you to reconsider your position on this.

The Authority notes your wish to achieve officer endorsement of an agreement by 19th April 2019 and Authority approval by 1st May 2019 but this timetable may not be achievable as, for the reasons set out below, the Authority feels that we are still some way from reaching a legally binding commercial agreement and there is also the added complication of the Easter break.

Rather than seek to negotiate first and then apply for the DCO afterwards, should negotiations fail, you have done the reverse and are asking the Authority to withdraw its objections and accept (conditional) assurances from you at a time when (as far as the Authority is aware) the key negotiations between RRRL and REPL relating to the sale of the land and the terms of use of the shared assets have not yet been fully developed.

You make reference in your letter to a Master Interface Agreement which will "clearly and appropriately allocate risks/liabilities" between RRRL and REPL and you are expecting the Authority to continue to honour its terms following a WMSA termination. You will understand that the Authority could not reasonably be expected to agree in advance (and as

part of any deal with you now) to honour a document which it has not seen and where the risk allocation may not adequately protect RRRL's interests or those of the Authority should it prove necessary for the Authority to step in. The Authority notes that in paragraph 1 you state "the RRRL lenders and the current shareholders to the Group will not accept any deterioration in the risk profile of the asset" but it does not see how, if RRRL and REPL are to act independently, RRRL's risk profile will not be adversely affected as a result of REPL's presence on the same site.

As the Funding Statement submitted as part of the planning application confirms, RRRL and REPL are both subsidiaries of CEHL. The granting of CPO powers to CEHL to use against one of its subsidiaries in favour of another (with separate funding arrangements), raises conflict of interest issues for RRRL. The Authority understands that Cory's proposals will be beneficial for the CEHL group as a whole but it would appear that RRRL is being disadvantaged in favour of REPL. The Authority questions whether RRRL would be acquiescent in having its land compulsorily purchased if a non-Cory Group company were trying to CPO or buy its land to build a competing facility. In such circumstances the Authority would anticipate that in negotiations with the third party RRRL as a minimum would be seeking to secure a profit on its land and assets as well as on any future risks it was exposed to rather than just a reimbursement of cost. The Authority is concerned that CEHL is seeking to acquire CPO powers to circumvent existing, but now inconvenient, contractual obligations and avoid having to share the benefit that should properly be due to RRRL (and the Authority).

The following bullet points highlight just a few examples whereby REPL's operations could adversely affect RRRL (and thereby increase the Authority's risk):

- Assuming that REPL is not anticipated to function merely as an overflow for waste which RRRL is unable to take itself, available (or most profitable) tonnages will in future be split between RRRL and REPL, putting pressure on RRRL's prices and profits and potentially adversely affecting the Authority's profit share arrangements under the WMSA Payment Mechanism. The Authority appreciates your view that saturation tonnage will be available for both facilities but you will acknowledge that others (including the Greater London Authority) do not share your view.

- Less waste will be available to RRRL to mitigate short or long term tonnage shortfalls, whether such shortfall arises from the Authority's tonnages not meeting expectations or otherwise.

- Given the planned doubling of traffic flows using the shared assets, the odds of a disruptive event affecting the Site and thereby the Services will be increased.

- Whilst harmonious cooperation can be anticipated whilst RRRL and REPL remain associated companies, such cooperation may not be assured in circumstances where RRRL has failed for whatever reason and the Authority is forced to step in.

Given the above, the Authority's approach is as follows:

1. The Authority's risk profile should not be adversely affected as a result of REP's construction and operation. By way of example, the Authority should not be liable,

directly or indirectly, for REPL's losses, costs or expenses where REPL's use of the shared assets is restricted for whatever reason; priority for use of the shared assets should continue to be given to the Authority's waste; and for the purposes of the WMSA, RRRL should be responsible for REPL's acts and omissions as if they were RRRL's own;

2. The Authority's contractual benefits should not be reduced as a result of REPL;

3. If and to the extent that (1) or (2) cannot be achieved, the Authority should be properly compensated for the additional risk taken or benefits adversely affected; and

4. The Authority should be entitled to a fair and equitable share of the benefit accruing to the Cory group as a result of RRRL making land available to REPL and sharing the use of its assets with REPL. RRRL should also benefit on a normal with profit basis. This is consistent with the agreement reached in 2008 whereby it was acknowledged that the Authority had a legitimate interest in RRRL's assets both during and beyond the WMSA's expiry date in 2032 and led to the Residual Value Agreement.

Turning to the specific items set out in your letter, the Authority appreciates Cory's efforts in addressing some of the adverse risk profile issues identified to date but would make the point that it has not yet received a proposal relating to the sharing of the upside to the CEHL group of the project proceeding (point (4) above). Given the inherent risks associated with two (at least post-RRRL's demise) competing facilities sharing bottleneck access the upside sharing arrangements will be crucial in overcoming the (by their very nature) imperfect risk offset proposals, and the Authority looks forward to receiving these proposals as soon as possible so that it can evaluate the package as a whole.

Land issues: loss of security

Cory has correctly identified that the Authority is concerned that, by the sale of RRRL land to REPL, its security is diminished in certain scenarios both during the WMSA prior to 2032 and the RVA period post 2032 up to 2046.

The Authority will employ its own advisors to check Ardent Management's £3.15 million book value and how that might translate into a performance bond but that does not address the Authority's concern that the land is worth far more to the Authority than its notional book value. By way of example, in addition to giving the Authority a hedge in relation to change in law, upon a Force Majeure termination in particular the Authority could seek to offset its losses by developing the excess land, an opportunity that would be denied to it if the land were transferred to REPL.

Clearly if a bond of appropriate value were agreed to be put in place, any failure to renew it would have to constitute an EfW Event of Default. However, the Authority is concerned that the bond may not be economically viable due to the size it would need to be in order to properly compensate for the loss of mitigating opportunity which the excess land affords.

Land issues: change in law

Sale of the land to REPL would also mean that it is no longer available to the Authority in circumstances anticipated under clause 6.1A of Schedule 15 of the WMSA and whilst the

possibility of this clause being invoked has increased following the publication of Defra's draft Waste and Resources Strategy, it is, at this stage, not certain that it will be. The potential still exists that the Authority may require the land to be used for a solution other than REPL's proposed AD design in the future. You will note that the scope of EfW Qualifying Change in Law (g) is not restricted to any future legal requirement to use AD.

Whilst the Authority appreciates Cory's proposal to give it an option agreement whereby, if the law changes to require it, the Authority can send its food waste (and green waste, if applicable) to REPL, Cory will appreciate that it is difficult to make benchmarking work properly. Whilst the Authority believes that this is something it could explore, in addition to the EfW Disposal Rate cap you propose as a backstop it would require RRRL/REPL to guarantee a price match to the lowest price being offered by REPL to other users, as well as priority access to capacity.

The Authority will need to check the appropriateness of your thresholds for the sharing of electricity and biodiesel revenue but wonders why no threshold is proposed for biogas, given that this is the output indicated in the planning application?

The Authority would also require agreement that, should REPL's proposed AD facility not meet the final requirements necessitated by Defra's Waste and Resources Strategy (or any replacement Strategy), it will find alternative outlets for the Authority's material on the same or better terms and conditions, and that any food or garden waste tonnage handled by REPL would not qualify for EfW Qualifying Change in Law protection.

Shared Assets issue

The Authority requests that Cory provides evidence as to how it arrives at the c£48 million valuation for the construction of the Middleton Jetty and Norman Road and to confirm whether this figure also includes a proportionate percentage of Belvedere's wider development costs as well as the historic and future financing costs associated with the assets. The Authority also believes that the capital costs with respect to Tilbury Dock need to be included.

The Authority agrees that whilst REPL should pay RRRL for the use of these assets in proportion to its usage of them, the Authority's share of that value should be in proportion to the amount that was attributed to the Authority's gate fee in 2008, i.e. 72% and not be limited to the lifetime of the WMSA but rather to the lifetime of the assets given that the Authority also has residual value rights.

The Authority also queries if it is correct that the Middleton Jetty and Norman Road (and Norman Road alone in the case of a jetty or river outage) can take all the waste and ash from both Riverside 1 and REP (which amounts to taking more than double the actual current capacity). If the additional capacity was built in as a matter of prudence in 2008 to avoid operational disruption, going forward that tolerance will in future no longer be present, increasing operational risk.

Avoiding Benefits issue

The Authority appreciates that you have recognised its concern that as REP is adjacent to Riverside 1, Cory could choose to supply a third party with electricity via a private wire, or

supply a third party with waste heat, instead of having such electricity/heat being supplied from Riverside 1, thereby potentially depriving the Authority of benefits it would have otherwise received under the Authority Energy Payment mechanism in the WMSA.

The Authority therefore believes that Cory's proposal should also address the Authority's potential loss of opportunity with respect to the Revenue Share mechanism within the Payment Mechanism, particularly if the Greater London Authority's view on need for residual waste tonnage capacity within London proves to be correct.

Sale of Heat issue

The Authority is obtaining some further information, and worked examples, so that you can understand precisely its interpretation of the drafting, and the circumstances the Authority envisages could occur.

Termination issues and Documentation

It is difficult to see how the Authority can reasonably be expected to agree to be bound by the terms of a Master Interface Agreement that it has not seen or agree to remove its objection to the planning consent whilst any agreement is still subject to the approval of the RRRL lenders. This is an unfortunate consequence of Cory's decision to apply for the DCO before seeking to put the voluntary commercial arrangements in place.

Whilst Cory has said that it would like to avoid the need to take this agreement to RRRL's funders at this time the Authority does not see how this can be avoided, due to lack of sanction if lender consent is withheld, at the point of which the Authority's objection would have been withdrawn. The Authority is sure that you appreciate its predicament in this regard.

The Authority looks forward to discussing these matters further with you and reaching a satisfactory commercial agreement for both parties.

Yours sincerely,

MARK BROXUP
GENERAL MANAGER

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24 April 2019

SUBJECT TO CONTRACT

Dear Mark

Thank you for your response dated 5 April 2019, to our letter dated 29 March 2019. Below, we have sought to address each of your points in the order they are set out in your letter.

Timing of offer

1. We note that you appear to be concerned by the sequence in which we have sought your agreement to matters to do with the Riverside Energy Project. However, we would like to assure you that the sequence of events is a necessary consequence of the planning process and REP's interface with the Riverside facility and its existing lenders and equity holders:

    a. The terms to be agreed between RRRL and the REP development company relating to the interface between the two facilities and the sale of the land can only be finally agreed as part of the wider transaction to fund the REP development (whether by debt, equity or a combination of the two). What we are seeking to do is agree a commercial deal in principle with WRWA that will feed into that wider transaction – no deal can be completed and binding until financial close of the REP project. The two go hand in hand, just like previous commercial deals completed with WRWA to finance and refinance the existing facility in 2008, 2017 and 2018. Cory has a good history of delivering these deals successfully for the Authority, and fully intends to do so again.

    b. We are seeking to agree the principles and key terms that must be contained in any final deal with WRWA at financial close – just like in 2008, 2017 and 2018. We are not asking WRWA to give anything up at this stage; however, we are highlighting the potential of REP and the benefits that it will accord WRWA, as set out in our original offer.

    c. In terms of the DCO process the only aspect that must be dealt with as part of the examination is RRRL's agreement to sell on an arm's length basis a small portion of its land to the REP development company (contingent upon the development proceeding) and the consequential relinquishment of WRWA's leasehold interest over that portion of the land. Our understanding is that the DCO examiner will not focus on the broader commercial issues raised by WRWA relating to the sharing of assets and WRWA's contention that it should be afforded a share in the benefit accruing to the Cory group as

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a result of the REP development. However, having listened to WRWA when discussing REP last year, we have agreed to address the issues as one package. This is sensible, as it means that when it comes to financing REP, we will have agreed material terms with the Authority that must be taken into account by REP lenders and new equity investing into REP.

d. We acknowledge that we have not yet shared with you the terms of the Master Interface Agreement ("MIA") – and did not expect WRWA to agree to having the MIA (or relevant parts of it) attached to the RRRL title sight unseen. However, the terms of this agreement can only be finalised during the transaction to finance the REP development, as other stakeholders (for example RRRL lenders, new REP lenders and REP equity holders) must also be comfortable with its terms. We are in the process of drafting principles that we propose will be included in the MIA and would like to agree those principles that affect RRRL as owner of the site with you ahead of time, to feed into the REP financing process. We note that it may be that only some rights and obligations in the agreement may need to be included on the title for any future owner of the RRRL freehold to comply with. We expect to be in a position to share these with you next week.

2. We understand that WRWA is concerned about the ability to make any commercial agreement reached between Cory and WRWA regarding the issues below binding on the parties. We have honoured similar agreements with you in the past that were not able to become effective until a later date – e.g. the 2017 and 2018 commercial agreements (agreed by exchange of letters) made in the context of the refinancing of RRRL. We note that WRWA also honoured the terms of letters. There is no reason that the company would change its record of behaviour in this instance - it is not in our interest to damage our relationship with our most important customer. We hope – and have no reason to doubt – that WRWA will similarly honour the terms of any commercial agreement reached as it has done so in the past.

3. Additionally, as we set out in our previous letter to you we wish to attach either the MIA or aspects of the MIA to RRRL's freehold title in order to ensure REP's enduring legal right of access across the shared assets (ref paragraph 25), amendments may also be required to the WMSA direct agreement to ensure this effect - depending on final discussions with yourselves and the RRRL lenders as part of the REP financing. Such actions will require consent of WRWA. Therefore, in order to affect a successful financing of REP it will be necessary for Cory to honour the terms of any agreement reached with WRWA – and for Cory to trust that WRWA will also do so.

RRRL risk profile

4. We note that the Authority is of the view that Cory is seeking to disadvantage RRRL in favour of REP. This is not, and cannot, be the case.

5. As we have previously explained REP will be financed and owned independently of RRRL. The current owners of RRRL and CEHL (which is currently funding the development project) will be selling the project to a separately owned and financed SPV prior to construction. The equity owners of RRRL will therefore be seeking to ensure that the risk profile their asset – RRRL – is not materially impacted. The ultimate investors in the current group expect no less. The existing lenders to RRRL will also be

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seeking to ensure that any impacts on the asset that they have lent to are properly mitigated. This includes the sale of land from RRRL to REPL. This transaction will necessarily be on arm's length terms. Furthermore, the directors of RRRL and CEHL have fiduciary duties that require any transactions to be on arm's length terms.

6. We note that on page 2 of the Authority's letter WRWA has selected only examples of where RRRL's risk profile is theoretically increased, ignoring any mitigating controls, and improvements to RRRL's risk profile that will result from the development of REP. For example:

   a. WRWA appears concerned that REP will put pressure on RRRL's prices and profits, potentially adversely affecting the Authority's profit share arrangements under the WMSA Payment Mechanism, and that less waste will be available to mitigate short- or long- term tonnage shortfalls. Putting aside the fact that there is nothing in the WMSA that requires RRRL to maximise the third party tonnages that it puts through the facility, we note that REP will be opening up new markets in East London and Essex that are not readily available to RRRL (through new transfer stations to be built by REP around the Barking and Tilbury areas). Furthermore, average C&I gate fees are currently well below "cut in" under the Revenue Share mechanism even in the current market where there is an oversupply of waste. Developing REP will not impact RRRL's primary obligation to dispose of WRWA's residual waste tonnages.

   b. WRWA is concerned that the doubling of traffic flows will increase the odds of a disruptive event affecting the site and the Services will be increased. Firstly, it is RRRL's obligation to perform the Services and manage any potential impacts, and the company would never put its ability to do so at risk – it has far too much to lose. The group would never embark on the REP development if it believed that it put its ability to perform its services for its customers at risk, and we stand on our history of exceptional performance and respect towards our customers as a testament to the way we run our business. Secondly, we note that the capacity on the shared assets has been more than doubled due to RRRL's actions in securing 24/7 working on the road and jetty, and through the increase in permitted road capacity – improving the risk profile. Finally, we note that we have engaged third parties to undertake diligence on the capability of the road and jetty to manage the increased volumes. Royal Haskoning has concluded that the jetty can handle the volumes of waste and ash for both facilities; and Peter Brett Associates has concluded the same for the road – even in the event of a river / jetty outage. We would be happy to share these reports with you for review on a non-reliance basis.

   c. WRWA is concerned that harmonious cooperation cannot be assured in circumstances where RRRL has failed for whatever reason and the Authority has been forced to step in. We remind WRWA that the relationship set up between the two facilities will be arm's length from day one due to the anticipated independent ownership and financing arrangements – the independent structures will be established even if the project is developed under common ownership in anticipation of a sale to independent owners and an independent financing. The working/day to day relationship of REP and RRRL will be governed by the Master Interface Agreement, and any future title holders of either facility

will be protected by and required to comply with (a) the Protective Provisions in the DCO and (b) any positive or restrictive covenants on the titles relating to the relevant parts of the MIA. Having two independent plants working side by side in close proximity and sharing assets is not a unique proposition in the UK; we would expect whichever parties own the respective facilities to act in a sensible, commercial way as is normally observed in numerous similar situations across the country.

Authority's approach

7. Addressing the aspects contained in the Authority's approach on pages 2 and 3 of the letter.

8. WRWA appears to consider "RRRL" and "WRWA" interchangeably, which is not correct. There is no suggestion that the Authority will be responsible for REP's losses; RRRL will retain its contractual obligations to prioritise WRWA's waste, and the MIA will necessarily be drafted to reflect this; the MIA will property allocate risks and responsibilities between the entities; and a robust insurance programme will be in place to mitigate losses of the parties.

9. We note that WRWA's risk profile is not equivalent to the risk profile of the equity holders of RRRL, and therefore the impact (or otherwise) of REP's construction and operation on WRWA cannot be seen as equivalent. WRWA does not own nor operate the RRRL facility, and WRWA is only impacted in the extremely unlikely event that the equity value in RRRL has been fully eroded. WRWA is deeply insulated and any commercial arrangement with WRWA must necessarily reflect this.

10. WRWA has asserted that it should be entitled to a "fair and equitable share in the benefit accruing to the Cory group as a result of RRRL making land available to REPL and sharing the use of its assets with REPL", however, we note that this is not a contractual right conferred by the WMSA. WRWA's share in any residual value in the facility is limited to that set out in the RVA. We note that the ability to take more waste across the road and jetty is as a result of operational improvements created by RRRL by seeking and obtaining consent in October 2017 for 24/7 use of the jetty and road, and an increase in the permitted capacity of the road. As stated above, RRRL will be selling the development to the REP SPV on arm's length terms; the equity investors in REP differ from those invested in RRRL and the current equity investors would expect no less. This will be a commercial, confidential deal between RRRL and the REP SPV, in which WRWA has no interest.

11. While WRWA has no right to a share in the benefit of REP, we have sought to acknowledge and address WRWA's concerns through a commercial offer, the specific points of which are addressed below.

Land issues: loss of security

12. First, we would like to note that the purpose of the lease arrangements during the RVA period (2032-2046) is not to act as security for WRWA nor to grant benefits equivalent to ownership of the land (WRWA for example, could not sell the land during this period as it would not own the freehold) but rather to act as leverage to ensure that RRRL pays any royalty payments due under the RVA. There

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is no material change in the leverage that WRWA holds over RRRL during the RVA by the carving out of a small area of unproductive real estate; WRWA will still hold the sublease over the whole of the RRRL facility. As such, any bond should only be in place for the period of the WMSA.

13. We appreciate that WRWA wishes to undertake an independent valuation and look forward to receiving this. However, we would like to note that the valuation undertaken by Ardent represents an assessment of fair value of the land, and represents the value that could be obtained in an open market – it is not a "book value".

14. WRWA is of the view that any valuation should take into account the loss of development opportunity. We note that the land itself has limited development opportunity on its own. It is a small piece of unproductive land, encircled by third party land, a large portion of which is taken up by "wasteland habitat", which would need to be replaced offsite if the land was developed. The land does not currently have planning consent for a development; any consent for an alternative development would need to be taken through the local planning process, and the wasteland habitat replaced. Furthermore, we would highlight that valuations undertaken pursuant to a DCO/compulsory acquisition process do not take into account loss of future development opportunity, nor does it take into account the value of the REP project.

Land issues: change in law

15. We acknowledge that the scope of EfW Qualifying Change in Law (g) is not restricted to any future legal requirement to use AD. However, we consider this to be the most likely, and in any event, under the terms of the WMSA, we will still be required to agree a solution for change in law with WRWA, so WRWA will remains protected.

16. In relation to the AD Option Agreement, we would be happy to offer WRWA a guarantee price match to the lowest gate fee offered by REPL to other users (excluding transport, handling etc), and priority access to capacity, however this is conditional upon the Change in Law (g) occurring. We are also happy to provide WRWA with a share in biogas revenue on a similar basis to electricity exported from the AD, and biodiesel produced by the AD as set out in our previous letter; we will come back to you with an appropriate price/threshold.

17. We unfortunately cannot agree to your final request, that should REPL's proposed AD facility not meet the final requirements necessitated by Defra's Waste and Resources Strategy (or any replacement), it will find alternative outlets for the Authority's material on the same of better terms and conditions - as we cannot agree to commercial arrangements for a specification of service that is unknown. We are also not able to agree that any food/garden waste would not qualify for EfW Change in Law protection. The proposal we've offered WRWA puts the Authority in a better position that it is in currently – as the cost of developing the AD is in no way falling upon WRWA, as it could under Schedule 15 of the WMSA, and therefore it will be having its food/green waste treated at lower cost than it would otherwise; and it is difficult to envisage a scenario where the AD facility, which is being designed to handle food and green waste to current UK standards, would not meet Defra's requirements.

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Shared Assets issue

18. As a matter of principle, we note that the offer we've made to WRWA relating to shared assets is not because there is a contractual requirement to pay WRWA for REP's use of the assets (as there is not) nor because WRWA has some inherent right in the equity value of REP (it does not), but rather to recognise that we are making a request of WRWA to consent to the attachment of relevant aspects of the MIA on to the RRRL title.

19. We have taken into account your comment regarding the financing and maintenance costs, and therefore have recalculated our offer in relation to shared assets (see spreadsheet attached). This amounts to [redacted], the equivalent of an annual discount of [redacted] in today's terms, payable from the successful commissioning of REP until October 2032. However, we note that we did not include any allowance for the depreciation of the assets in the original calculation – this has now been included.

20. We do not agree that the figure should include the wider development costs, as these were incurred at risk by equity prior to financial close, and equity returns based on equity injected into the project were included in the cost of financing. We also do not agree that costs associated with Tilbury should be included. REP will be investing into Tilbury to expand capacity at the ash treatment facility to take REP's ash; and REP will be investing in its own waste transfer station facility at Tilbury. Therefore, the costs for Tilbury incurred by RRRL are not relevant. Overall, RRRL will benefit from access to a modernised ash processing facility at no cost to RRRL.

21. We do not agree that the Authority's share of the value should be 72%. The ability for REP to utilise the road and jetty are as a result of operational improvements made by RRRL post-financial close in 2008 – importantly the modification to allow 24/7 working. The WRWA is not and never has been entitled to equity upside for operational improvements made by Cory; WRWA is not an equity owner in the project.

22. It is also correct that any payment to WRWA be limited to the lifetime of the WMSA because the Authority does not have residual ownership rights in the facility itself – the rights afforded to WRWA post 2032 are specific and limited to those set out in the RVA. These rights comprise market royalty rights, the right to send tonnage for processing, and a right in the sublease to act as leverage to ensure royalty payments are made, and do not extend more broadly.

23. We have addressed the capacity query in your letter above under the heading "RRRL risk profile".

Avoiding Benefits issue

24. We do not agree that our proposal should address the Authority's potential loss of opportunity with respect to the Revenue Share mechanism within the Payment Mechanism. The WMSA does not require RRRL/CEL to maximise revenues for third party tonnage, and it is rightly up to CEL/RRRL and REP to determine their own commercial strategies.

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25. As we have previously mentioned REP and RRRL will have separate equity investors and lenders and WRWA's interests in relation to RRRL/CEL's commercial strategy is fully aligned with RRRL lenders and equity investors, who would suffer if REP was to materially affect the gate fees taken by RRRL.

Termination issues and Documentation

26. As stated in the introduction to this letter, we are seeking to agree a "heads of terms" with WRWA relating to the commercial matters between us, that must form part of any financing of REP. However, WRWA is concerned that it won't be protected in the event that it has withdrawn its DCO objection based on these "heads of terms", and then RRRL lenders withhold consent to a proposal that meets the requirements of the deal agreed between WRWA and Cory. This is an unfounded fear: the project cannot proceed without RRRL lender consent. If the project does not go ahead, the status quo remains, and WRWA gives up – and gains – nothing.

27. Therefore, any agreement with WRWA will necessarily be tied up with both the RRRL and REP lender consent processes. This is just the same as when Cory and WRWA made a commercial deal relating to the 2017 refinancing gain share, which was not binding until the refinance itself; and the commercial deal relating to the 2018 financing.

28. The land issue is the only issue that will be addressed during the DCO examination. The normal process is for parties to agree "Statements of Common Ground", which set out the principles upon which a deal will be made if the DCO is approved. We would be happy to progress such a Statement of Common Ground with the Authority.

Fees

29. We consider the cap on costs Cory will cover relating to the Authority defending its position at the DCO examination process to be reasonable in the circumstances, and equivalent to how other stakeholders in the process are being treated. We therefore decline your request to cover your costs without a cap.

30. We hope that you appreciate the steps forward we have made in relation to the commercial deal between the parties and look forward to discussing these matters further with you.

[redacted]

Ben Butler
Chief Financial Officer