

Fixed price remediation

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Introduction

- ❖ Fixed price remediation is performed by HPC since 1992, with some peculiarities that make it different from the offers of other environmental players.
- ❖ As in any fixed-price job, the evaluation of the associated risks and their incorporation in a well-balanced proposal are of primary importance
- ❖ This presentation illustrates the main risk-evaluation criteria .
- ❖ Basing on significant past experience we also present the main client motivators for choosing this approach and the client sectors which benefit most from it

Fixed Price remediation at HPC

- ❖ HPC defines its unique approach to fixed price remediation with the acronym **FEST (Fixed price-Environmental liability- Sustainable solution- Transparency in calculations)**
- ❖ FEST is the performance of a site remediation to pre-defined standards for a pre-defined fee.
- ❖ The fee cannot be exceeded; if it is, for whatever reason, the extra cost is fully covered by HPC



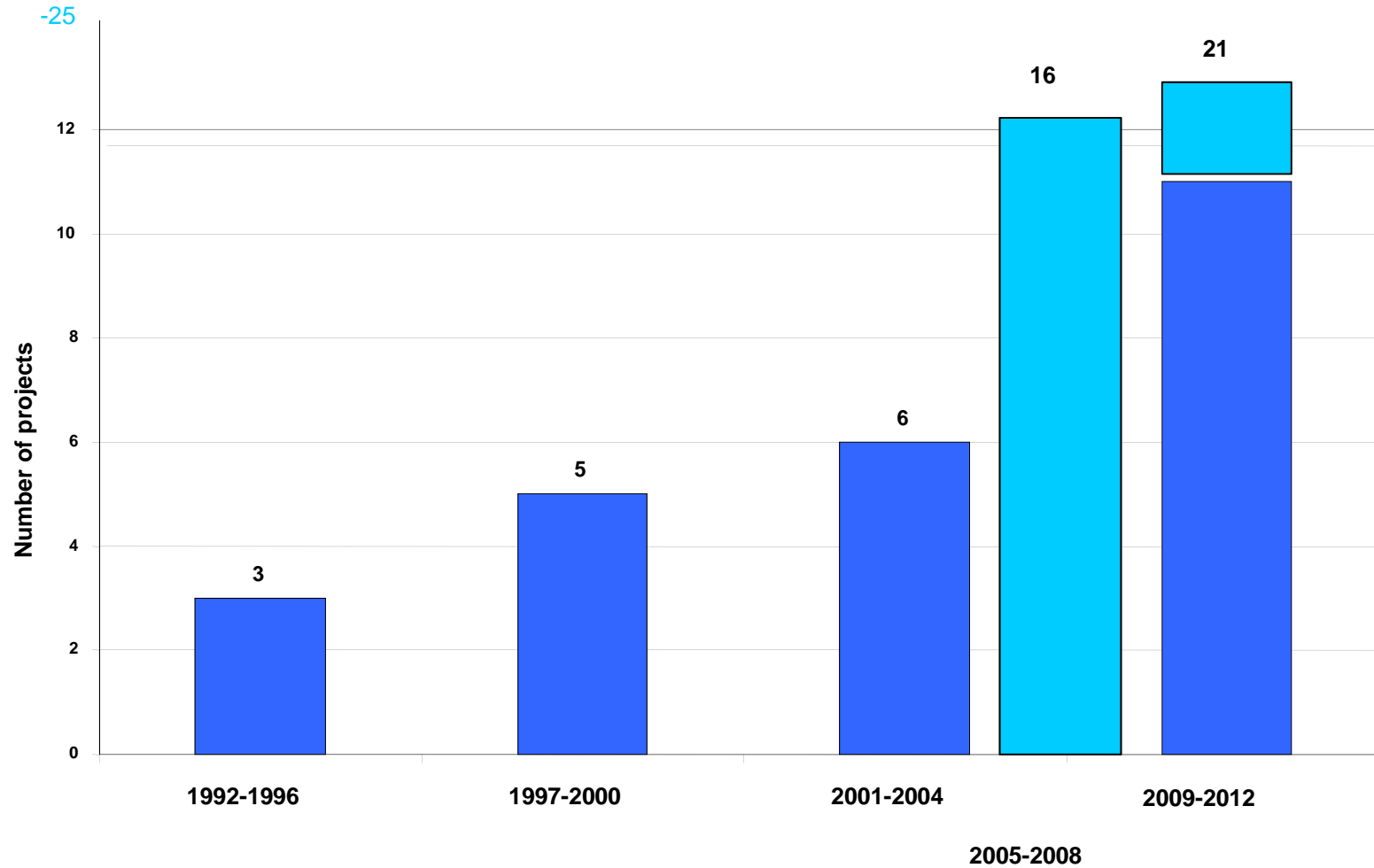
FEST is more than a lump-sum project

Unlike standard lump-sum projects, FEST is not only guaranteeing the provision of a defined effort, but additionally the take-over of all remaining risks until a defined goal is reached.

Remediation goals are considered reached only when certified by the competent regulatory agency

The guarantee of no extra costs makes this product unique in the site remediation market

Number of HPC FEST- Projects over time





Why clients choose FEST?

- ❖ Over 50 completed fixed-price remediations are a good statistical basis to understand the motivations of clients who opted for a FEST solution.
- ❖ Some recurring examples.....



Nobody wants heritage contamination

- ❖ Suspect or known contamination makes selling of properties from financially very punishing to outright impossible.
- ❖ The seller does not want residual liabilities after the sale which could go on for years with unknown costs.
- ❖ The buyer does not want to take any pollution risks. Not even against a one term payment or a price reduction when buying the property.
- ❖ The bank of the buyer demands loan security.

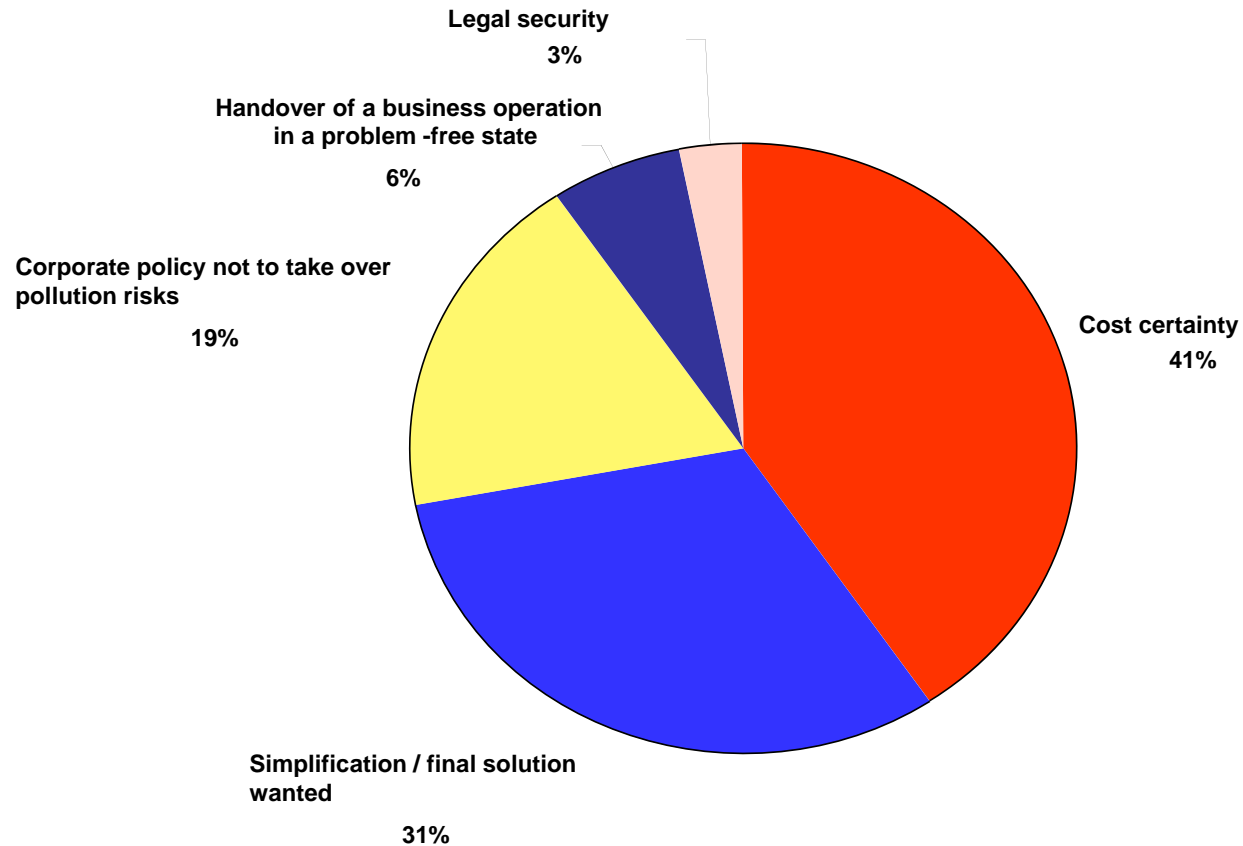


A good deal needs reliable and stable terms

- ❖ With FEST, buyers do not need to rely on reports and remediation cost estimates of the seller, nor to execute an expensive due diligence.
- ❖ Buyers are attracted to properties at bargain value, but are afraid of hidden liabilities (unexpected cost)
- ❖ If the liabilities are due to contamination risks the FEST cost can be introduced up-front in the cost-benefit calculations for the transaction.
- ❖ Not only the full cost but also cash-flow (cost over time) can be considered in the budget



Analysis of past FEST projects : client drivers



Cost certainty and a simple/final solution are the major drivers



Main FEST Clients (based on 30 cases)

Large industrial groups

Regions/Municipalities

Mid-size industries

Brownfield developers

Banks/Financing
Institutions

Real-estate operators

Decision-making functions are Senior Management and Corporate EH&S



Risk factors

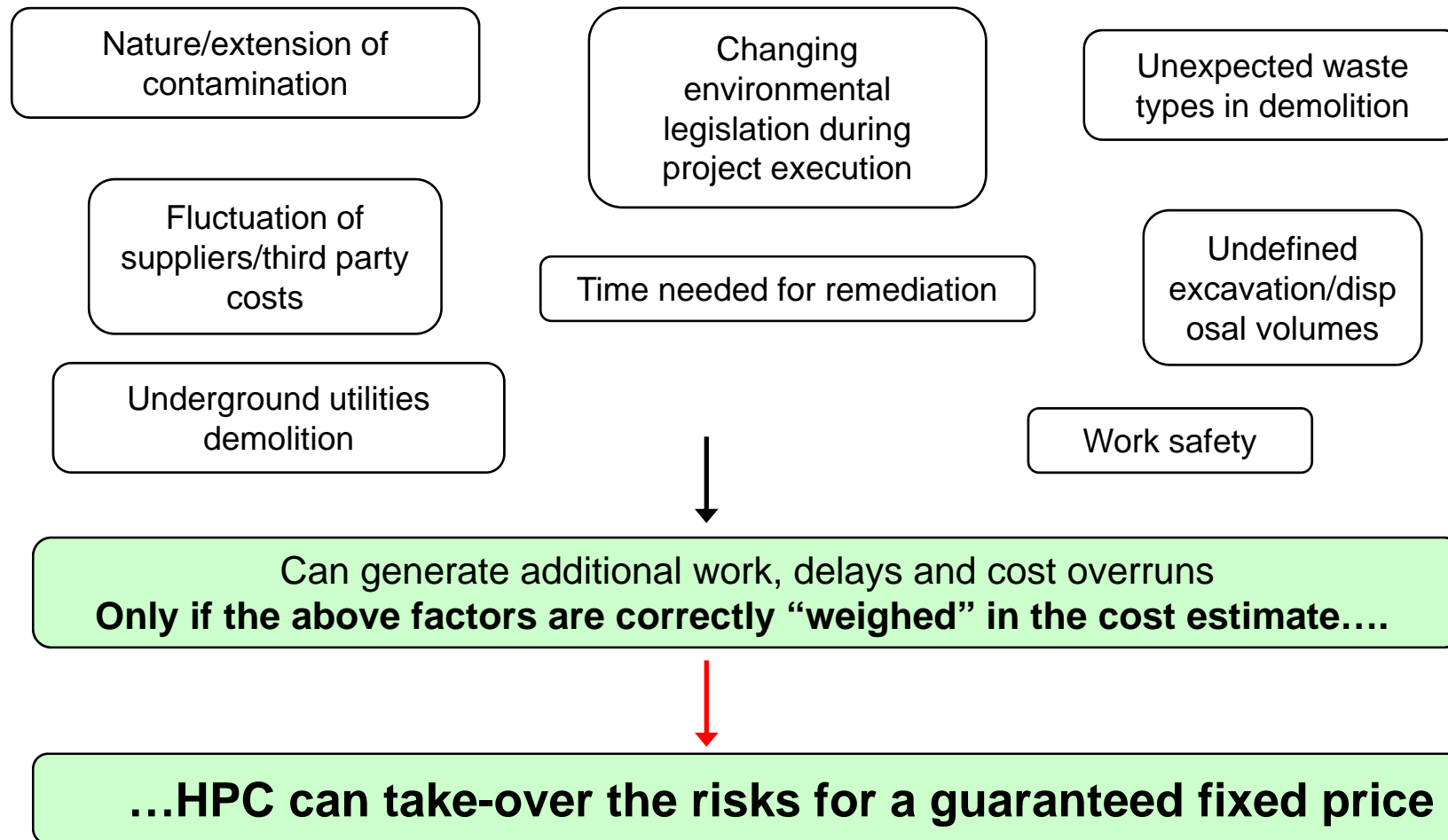
A long history of executed projects allows to pinpoint the main risk factors, to evaluate their specific recurrence and to understand their impact on the concurrence between actual and forecasted remediation costs



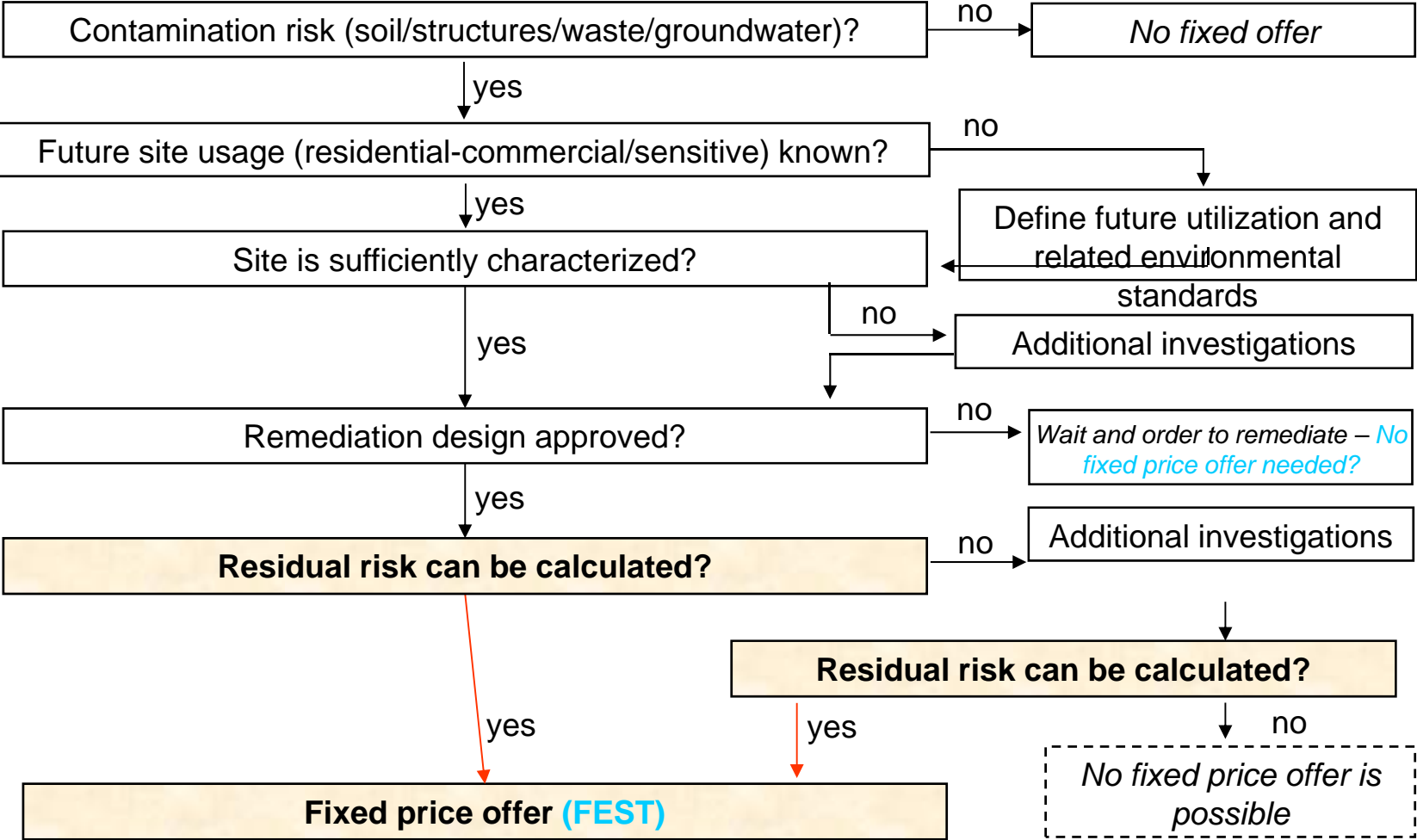
**Surprises in the execution phase to be accounted for in
the cost estimate and/or in the contract to avoid
delays/extra cost**

- ❖ Work interruption (unaccounted conditions)
- ❖ Coordination between different work stages (and different executors)
- ❖ Coordination with the supervising authorities
- ❖ Need for unexpected safety or hazard prevention measures
- ❖ Damage delineation in case of accidents
- ❖ Design/planning revisions

Factors affecting risk quantification



Decision-making process





At HPC we always bear in mind that:

- ❖ Having performed over 50 FEST projects we can rely on the capacities of our senior practice leaders and on our risk-assessment tools.
- ❖ In over 90% of our projects the risk evaluation proved correct; just in 7-8% of the cases we were wrong, under-estimating the risk.
- ❖ We do not, gamble“ or rely on accidental factors : a FEST-proposal is always based on sufficiently quantifiable and manageable risks for HPC.
- ❖ Even HPC has declined some FEST projects because the risks were not quantifiable enough or just too high.
- ❖ We do not guarantee that a site will be totally free from contamination but we do guarantee that the planned site usage will be feasible and authorized.



To know FEST is to like it....!!

When remediation is driven by public authorities, it is often perceived as the beginning of an ordeal with no visible end and requiring an undefined (but substantial...) amount of money

Even when immediate remediation is not mandatory, owners of contaminated sites often maintain very expensive safeguarding/monitoring measures because they are afraid of the remediation cost, ignoring that often a few years' worth of monitoring equals the cost of remediation.

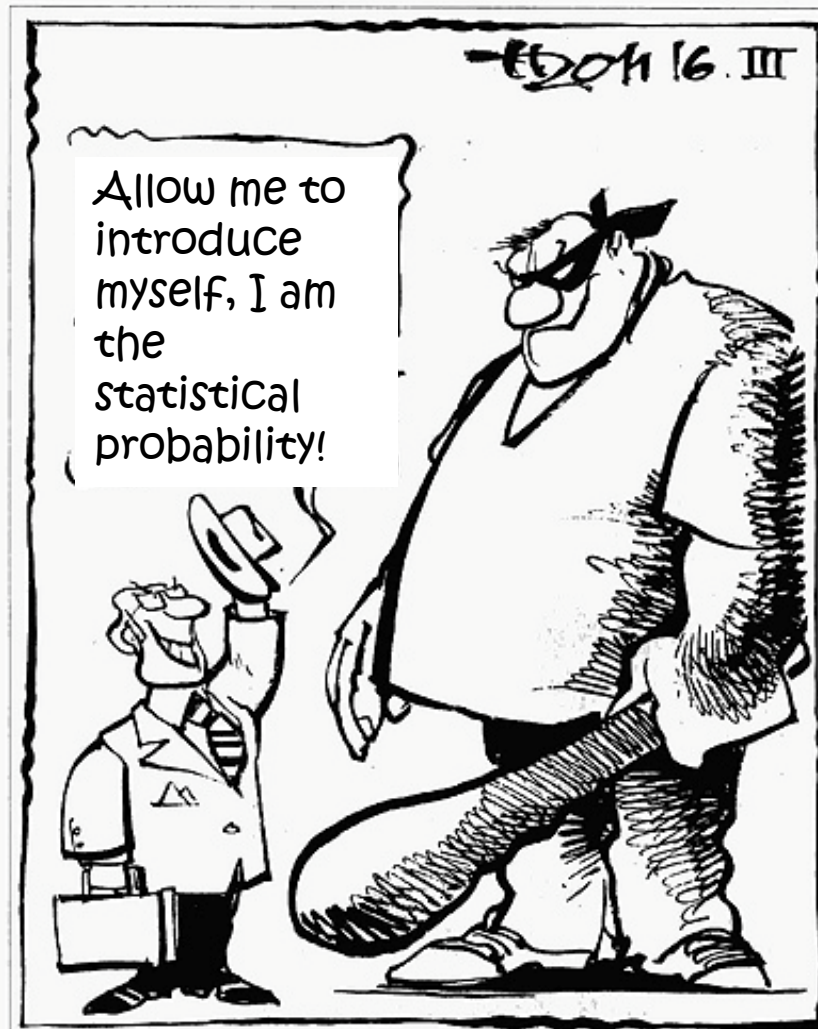
A FEST-like approach is the solution in cases like these.



Case History : Frankfurt ,Rebstock Park (Germany)

- Site : old unauthorized domestic waste landfill inside Frankfurt
- Size : 27 hectares
- Waste volume : 120.000 mc
- Approach : fixed-price remediation (FEST) to include all project phases from concept to final agency-approved site closure
- Services : remediation concept and design; site management ; excavation, disposal, backfilling; obtainment of approvals
- Duration : 21 months (1.2000 to 9.2001)
- Contract value : 10,149,000 euro
- Client advantages : cost certainty; time saving thanks to integrated approach

Thank you!!!!



Zeichnung: Horst Haitzinger