



Media Title : The Edge Online
Headline : Cypark's WTE plant in PD faces another delay
Date : 30 October 2018
Page : 0
Size : 21.17x139.96

Cypark's WTE plant in PD faces another delay

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October 20, 2016 10:00 pm EST

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THE completion of Cypark Resources' waste-to-energy (WTE) plant in Leding Township, Port Huron, is at risk of another delay as the construction of an incinerator that generates power from municipal solid waste is behind schedule, sources say.

As Cypark's 10-year construction agreement (CA) with the government to build, operate and manage the plant commences on its signing on Nov. 9, 2016, a major business issue for it is to be completed soon. "The longer it takes for the plant to be completed, the more potential savings Cypark will lose," says a source.

Forming part of the Leding Township Merab project, the WTE plant was initially hoped to be completed by January this year. However, this was delayed by the end of the year after the main contractor of the plant, SHC Consortium, encountered a difficult financial situation.

A source who works with the contractor says that SHC as a major public completion date, which, if proved right, will result in Cypark losing a year's revenue from the use of generation of the WTE plant.

"The construction of the plant is behind schedule because of the technical challenges faced by one of the consortium members," says another source who has business dealings with the consortium. "At times, the contractors, both owners and offshore, are making to complete the plant."

Agree from the WTE plant, the Leding Township Merab project comprises a landfill equipped with a biogas facility and a solar plant.

The electricity generated by the WTE plant will be sold to Tri-State Nuclear and is expected to cost Cypark an estimated \$200 million a year, or about a fourth of its annual revenue.

The company is in the midst of shifting its business model from one that makes short to medium-term revenue to one that generates income from construction.

Asked about the WTE plant, Cypark's management says its targeted completion is the end of the second quarter next year, in accordance with the CA.

"We treat the completion target as achievable and (that) there shall not be any need for completion date to be revised. The project is currently progressing and has reached an advanced state of construction."

"Almost all the equipment has been delivered and is in the process of being installed," Cypark's management tells The Edge in an email.

The CA was first made available in the public domain in October. However, analysts looking at the company expect the construction of the WTE plant to be completed by the end of the year and for the plant to be commissioned and brought to 100% by Q2 2017.

"After the construction is completed, a series of tests will have to be conducted with this before the plant can be brought up and the electricity generated from the plant can be supplied to CISC," says an analyst with a local investment bank.

However, even if the WTE plant is completed by the end of 2016, as per Cypark's projection, it will take another six months before the group can generate electricity and revenue from it, or about four years after the CA was signed.

Developed at a cost of \$200 million, the Leding Township Merab project is the largest investment made by Cypark to date. On Aug. 28, 2015, the renewable energy company acquired ELEC Corporation — competing KSM Group that introduced KSM Process Systems into the (KSMPS) and (KSMPS) from ELEC Corp. — a \$200-million contract that consists of offshore work worth \$100 million and onshore work worth \$100 million.

It is believed that KSMPS is transferring the onshore portion and (KSMPS) Zone, the offshore portion and employing the technology for the WTE incinerator.

When completed, the WTE plant will have the capacity to process 600 tonnes of municipal solid waste a day and generate about 10,000 MWh.

According to analysts, Cypark's landfill tipping fee is \$200 per tonne per day — lower than the fee in many other landfills — as the government has plans to increase the revenue the company would earn from selling the electricity generated from waste.

According to the Solid Waste Management Lab (SWML) report published by the Performance Management and Delivery Unit, landfill tipping fee is \$200 per tonne per day.

The stock closed at \$22.25 last Thursday for a year-to-date gain of 5.82%. The company is trading at an estimated price-earnings ratio of 10.37 times and is valued at \$275.5 million. The company's 12-month target price for the stock is \$26.50 or a potential return of 17%.

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