COVANTA HOLDING CORP
Form 10-K
February 26, 2016
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K

þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2015
or

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to
Commission file number 1-06732
COVANTA HOLDING CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	95-6021257
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)
445 South Street, Morristown, NJ	07960
(Address of Principal Executive Office)	(Zip Code)

Registrant's telephone number, including area code: (862) 345-5000
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $0.10 par value per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No ¨
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ¨ No þ
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No ¨
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form10-K. þ
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ	Accelerated filer ¨	Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No þ

As of June 30, 2015, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was $2.4 billion. The aggregate market value was computed by using the closing price of the common stock as of that date on the New York Stock Exchange. (For purposes of calculating this amount only, all directors and executive officers of the registrant have been treated as affiliates.)

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class	Outstanding at February 12, 2016
Common Stock, $0.10 par value	129,868,102 shares

Documents Incorporated By Reference:

Part of Form 10-K of Covanta Holding Corporation	Documents Incorporated by Reference
Part III	Portions of the Proxy Statement to be filed with the Securities and Exchange Commission in connection with the 2016 Annual Meeting of Stockholders.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Report on Form 10-K may constitute “forward-looking” statements as defined in Section 27A of the Securities Act of 1933 (the “Securities Act”), Section 21E of the Securities Exchange Act of 1934 (the “Exchange Act”), the Private Securities Litigation Reform Act of 1995 (the “PSLRA”) or in releases made by the Securities and Exchange Commission (“SEC”), all as may be amended from time to time. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of Covanta Holding Corporation and its subsidiaries (“Covanta”) or industry results, to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Statements that are not historical fact are forward-looking statements. Forward-looking statements can be identified by, among other things, the use of forward-looking language, such as the words “plan,” “believe,” “expect,” “anticipate,” “intend,” “estimate,” “project,” “may,” “will,” “would,” “could,” “should,” “seeks,” or “sche similar words, or the negative of these terms or other variations of these terms or comparable language, or by discussion of strategy or intentions. These cautionary statements are being made pursuant to the Securities Act, the Exchange Act and the PSLRA with the intention of obtaining the benefits of the “safe harbor” provisions of such laws. Covanta cautions investors that any forward-looking statements made by us are not guarantees or indicative of future performance. Important factors, risks and uncertainties that could cause actual results to differ materially from those forward-looking statements include, but are not limited to:

- seasonal or long-term fluctuations in the prices of energy, waste disposal, scrap metal and commodities;
- our ability to renew or replace expiring contracts at comparable prices and with other acceptable terms;
- adoption of new laws and regulations in the United States and abroad, including energy laws, environmental laws, labor laws and healthcare laws;
- failure to maintain historical performance levels at our facilities and our ability to retain the rights to operate facilities we do not own;
- our ability to avoid adverse publicity or reputational damage relating to our business;
- advances in technology;
- difficulties in the operation of our facilities, including fuel supply and energy delivery interruptions, failure to obtain regulatory approvals, equipment failures, labor disputes and work stoppages, and weather interference and catastrophic events;
- difficulties in the financing, development and construction of new projects and expansions, including increased construction costs and delays;
- limits of insurance coverage;
- our ability to avoid defaults under our long-term contracts;
- performance of third parties under our contracts and such third parties' observance of laws and regulations;
- concentration of suppliers and customers;
- geographic concentration of facilities;
- increased competitiveness in the energy and waste industries;
- changes in foreign currency exchange rates;
- limitations imposed by our existing indebtedness and our ability to perform our financial obligations and guarantees and to refinance our existing indebtedness;
- exposure to counterparty credit risk and instability of financial institutions in connection with financing transactions;
- the scalability of our business;
- restrictions in our certificate of incorporation and debt documents regarding strategic alternatives;
- failures of disclosure controls and procedures and internal controls over financial reporting;
- our ability to attract and retain talented people;
- our ability to utilize net operating loss carryforwards;
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general economic conditions in the United States and abroad, including the availability of credit and debt financing; and other risks and uncertainties affecting our businesses described in Item 1A. Risk Factors of this Annual Report on Form 10-K and in other filings by Covanta with the SEC.

Although we believe that our plans, intentions and expectations reflected in or suggested by such forward-looking statements are reasonable, actual results could differ materially from a projection or assumption in any of our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and inherent risks and uncertainties. The forward-looking statements contained in this Annual Report on Form 10-K are made only as of the date hereof and we do not have, or undertake, any obligation to update or revise any forward-looking statements whether as a result of new information, subsequent events or otherwise, unless otherwise required by law.

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AVAILABILITY OF INFORMATION

You may read and copy any materials Covanta files with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Copies of such materials also can be obtained free of charge at the SEC's website, www.sec.gov, or by mail from the Public Reference Room of the SEC, at prescribed rates. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the Public Reference Room. Covanta's SEC filings are also available to the public, free of charge, on its corporate website, www.covanta.com as soon as reasonably practicable after Covanta electronically files such material with, or furnishes it to, the SEC. Covanta's common stock is traded on the New York Stock Exchange. Material filed by Covanta can be inspected at the offices of the New York Stock Exchange at 20 Broad Street, New York, N.Y. 10005.

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PART I

Item 1. BUSINESS

The terms “we,” “our,” “ours,” “us,” “Covanta” and “Company” refer to Covanta Holding Corporation and its subsidiaries and term “Covanta Energy” refers to our subsidiary Covanta Energy, LLC and its subsidiaries.

About Covanta Holding Corporation

We are organized as a holding company, which was incorporated in Delaware on April 16, 1992. We conduct all of our operations through subsidiaries, which are engaged predominantly in the businesses of waste and energy services. We have one reportable segment, North America, which is comprised of waste and energy services operations located primarily in the United States and Canada. Outside of North America, we are currently constructing an energy-from-waste facility in Dublin, Ireland, which we own and will operate upon completion, and we hold equity interests in energy-from-waste facilities in China and Italy. Additional information about our reportable segment and our operations by geographic area is contained in Item 8. Financial Statements And Supplementary Data — Note 6. Financial Information by Business Segments.

During the second quarter of 2015, we entered into agreements to divest the majority of our investments in China. For additional information see Item 8. Financial Statements And Supplementary Data — Note 4. Dispositions, Assets Held for Sale and Discontinued Operations.

Our Energy-From-Waste Business

Our mission is to provide sustainable waste and energy solutions. We seek to do this through a variety of service offerings, including our core business of owning and operating infrastructure for the conversion of waste to energy (known as “energy-from-waste” or “EfW”).

Our EfW facilities earn revenue from both the disposal of waste and the generation of electricity, generally under long-term contracts, as well as from the sale of metals recovered during the EfW process. Our facilities process approximately 20 million tons of solid waste annually, equivalent to 7% of post-recycled municipal solid waste (“MSW”) generated in the United States. We operate and/or have ownership positions in 45 EfW facilities, which are primarily located in North America, and 11 additional energy generation facilities, including other renewable energy production facilities in North America (wood biomass and hydroelectric). In total, these assets produce approximately 10 million megawatt hours (“MWh”) of baseload electricity annually. We also operate waste management infrastructure, including 18 waste transfer stations, 12 environmental services facilities, 4 landfills (primarily for ash disposal) and one metals processing facility, all of which are complementary to our core EfW business.

Energy-from-waste serves two key markets as both a sustainable waste management solution that is environmentally superior to landfilling and as a source of clean energy that reduces overall greenhouse gas emissions.

Energy-from-waste is considered renewable under the laws of many states and under federal law. Our facilities are critical infrastructure assets that allow our customers, which are principally municipal entities, to provide an essential public service through sustainable practices.

Energy-from-waste facilities produce energy through the combustion of non-hazardous MSW in specially-designed power plants. Most of our facilities are “mass-burn” facilities, which combust the MSW on an as-received basis without any pre-processing such as shredding, sorting, or sizing. The process reduces the waste to an inert ash while extracting ferrous and non-ferrous metals for recycling. In addition to our mass-burn facilities, we own and/or operate additional facilities that use other processes or technologies, such as refuse-derived fuel facilities which process waste prior to combustion and a gasification technology, in which waste is heated to create gases that are then combusted.

Environmental Benefits of Energy-From-Waste

We believe that EfW offers solutions to public sector leaders around the world for addressing two key issues: sustainable management of waste and renewable energy generation. We believe that the environmental benefits of EfW, as an alternative to landfilling, are clear and compelling: by processing municipal solid waste in EfW facilities, we reduce greenhouse gas (“GHG”) emissions, lower the risk of groundwater contamination, and conserve land. Increased use of EfW facilities can reduce GHG emissions, as the methane emitted by landfills is over 80 times more potent than carbon dioxide (“CO2”) over a 20 year period. At the same time, EfW generates clean, reliable energy from a renewable fuel source, thus reducing dependence on fossil fuels, the combustion of which is itself a major

contributor of GHG emissions. The United States Environmental Protection Agency ("EPA"), using lifecycle tools such as its own Municipal Solid Waste Decision Support Tool, has found that, on average, approximately one ton of CO_2-equivalent is reduced relative to landfilling for every ton of waste processed. Compared with fossil fuel based generation, each ton of waste processed eliminates the need to consume approximately one barrel of oil or one-quarter ton of coal, in order to generate the equivalent amount of electricity. As public planners address their needs for more environmentally sustainable waste management and energy generation in the years ahead, we believe that EfW will be an increasingly attractive alternative.

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Other Sustainable Service Offerings

In addition to our core EfW business, we offer a variety of sustainable waste management solutions in response to customer demand. Through acquisitions, we have expanded our network of facilities to enable us to provide a range of services to industrial customers for the treatment and disposal of their non-hazardous materials. These businesses are highly synergistic with our existing profiled waste business, offer us the opportunity to expand the geographical sourcing of our waste streams and expand our presence in the environmental services sector, allowing us to drive higher cost non-hazardous profiled waste volumes into our EfW facilities and access additional revenue growth opportunities.

STRATEGY

Each of our service offerings responds to customer demand for sustainable waste management services that are superior to landfilling according to the "waste hierarchy". As indicated above, each of our service offerings is focused on providing cost effective and sustainable solutions that leverage our extensive network of EfW facilities and transfer stations in North America.

We intend to pursue our mission through the following key strategies:

- Preserve and grow the value of our existing portfolio. We intend to maximize the long-term value of our existing portfolio of facilities by continuously improving safety, health and environmental performance, working to provide superior customer service, continuing to operate at our historic production levels, maintaining our facilities in optimal condition, extending waste and service contracts, and conducting our business more efficiently. We intend to achieve organic growth by expanding our customer base, service offerings and metal recovery, adding waste, service or energy contracts, investing in and enhancing the capabilities of our existing assets, and deploying new or improved technologies, systems, processes and controls, all targeted at increasing revenue or reducing costs.
- Expand through acquisitions and/or development in selected attractive markets. We seek to grow our portfolio primarily through acquisitions, competitive bids for new contracts, and development of new facilities or businesses where we believe that market and regulatory conditions will enable us to utilize our skills and/or invest our capital at attractive risk-adjusted rates of return. We focus these efforts in markets where we currently have projects in operation or under construction, and in other markets with strong economic fundamentals and predictable legal and policy support. In addition to our focus on EfW and related waste sourcing activities, we are seeking to expand our environmental service offerings through both organic growth and acquisitions.

We believe that our approach to these opportunities is highly-disciplined, both with regard to our required rates of return on invested capital and the manner in which potential acquired businesses or new projects will be structured and financed.

- Develop and commercialize new technology. We believe that our efforts to protect and expand our business will be enhanced by the development of additional technologies in such fields as recycling, alternative waste treatment processes, gasification, combustion controls, emission controls and residue recovery, reuse or disposal. We have advanced our research and development efforts in some of these areas relevant to our EfW business, and have patents and patents pending for advances in controlling emissions.
- Advocate for public policy favorable to EfW and other sustainable waste solutions. We seek to educate policymakers and regulators about the environmental and economic benefits of energy-from-waste and advocate for policies and regulations that appropriately reflect these benefits. Our business is highly regulated, and as such we believe that it is critically important for us, as an industry leader, to play an active role in the debates surrounding potential policy developments that could impact our business.
- Maintain a focus on sustainability. Our corporate culture is focused on themes of sustainability in all of its forms in support of our mission. We seek to achieve continuous improvement in environmental performance, beyond mere compliance with legally required standards.
- Allocate capital efficiently for long-term shareholder value. We plan to allocate capital to maximize shareholder value by: investing in our existing businesses to maintain and enhance assets; investing in strategic acquisitions or development projects that offer attractive returns on invested capital and further our strategic goals; maintaining a

strong balance sheet; and consistently returning capital to our shareholders.

EXECUTION ON STRATEGY

Consistent with our strategy, we have executed on the following:

New Business Development

- During 2015, we acquired four environmental services businesses, including nine facilities, which will expand our presence in this sector and allow us to direct additional non-hazardous profiled waste volumes into our EfW facilities.

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- Construction is progressing on the Dublin EfW facility, a 600,000 metric ton-per-year, 58 megawatt facility in Dublin, Ireland. We expect the facility to begin commercial operations in late 2017. For additional information on the funding of project construction, see Item 8. Financial Statements And Supplementary Data — Note 11. Consolidated Debt.
- Established a regional ferrous metal processing facility, located in Fairless Hills, Pennsylvania, to process the ferrous metal recovered at several of our EfW facilities in New York, New Jersey and Pennsylvania for purposes of improving product quality, expanding our potential end markets and leveraging scale to achieve lower transportation costs.
- During 2015, we completed construction of a municipally-owned 140,000 tonne-per-year EfW facility located in the Durham Region of Canada. The facility began processing waste in the first quarter of 2015 and commenced commercial operations in January 2016 under a 20 year service fee contract.
- We began service under our new long-term waste transportation and disposal contract with New York City from its Queens marine transfer station during the first quarter of 2015.

Existing Business

- In December 2015, we extended our existing service fee agreement with the York County Solid Waste and Refuse Authority through December 2035 on substantially the same terms as the existing agreement.
- In April 2015, we extended our existing service fee agreement with the City of Long Beach, California through June 2024 on substantially the same terms as the existing agreement. The agreement will commence upon the expiration of the current agreement in December 2018.
- Construction of a state-of-the-art particulate emissions control system at our Essex County EfW facility is ongoing and is expected to be completed by the end of 2016. The total cost of the project is expected to be approximately $90 million, of which $43 million was incurred through 2015.

Asset Reallocation

In July 2015, we entered into an agreement to exchange our interests in China for an approximately 15 percent share in Chongqing Sanfeng Environmental Industrial Group Co., Ltd (“Sanfeng Environment”). In connection with this agreement, we have also entered into an equity transfer agreement with a subsidiary of CITIC Limited, a leading Chinese industrial conglomerate and investment company, for the sale of approximately 90 percent of our post-closing interest in Sanfeng Environment. This sale is expected to result in cash proceeds to Covanta of approximately $110 million, inclusive of $5 million of normal operational distributions. Necessary approvals from the Chinese government for the transaction are being obtained and are expected to be completed in the first half of 2016. For additional information on these activities, see Item 8. Financial Statements And Supplementary Data — Note 4. Dispositions, Assets Held for Sale and Discontinued Operations.

Continuous Improvement

In 2015, we commenced a continuous improvement initiative that will utilize Lean Six Sigma methodologies. The focus of this data-driven effort is on achieving stable operations at high performance levels, improved process efficiency and standardization across all of our facilities. We have established a team that includes external experts and internal top performers. This effort advances beyond the efficiency initiatives that we launched in 2014, and enhances and complements the outage optimization efforts that we have undertaken over the past several years.

Capital Allocation

Our key capital allocation activities in 2015 included the following:

- $165 million capital returned to shareholders, including $133 million paid in dividends and $32 million for common share repurchases;
- $184 million towards construction of the Dublin EfW facility, of which $134 million was funded by limited recourse project subsidiary financing; and
- $162 million for other growth investments, including $69 million to acquire environmental services businesses, $30 million related to our New York City transportation and disposal contract, $26 million towards the Essex County facility emissions control system upgrade, and $34 million for various organic growth investments, including metals recovery projects.

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NORTH AMERICA SEGMENT

Energy-From-Waste Projects

Our EfW projects generate revenue from three main sources: (1) fees charged for operating projects or processing waste received, (2) the sale of electricity and/or steam, and (3) the sale of ferrous and non-ferrous metals that are recovered from the waste stream as part of the EfW process. We may also generate additional revenue from the construction, expansion or upgrade of a facility, when a municipal client owns the facility. Our customers for waste services or facility operations are principally municipal entities, though we also market disposal capacity at certain facilities to commercial customers. Our facilities primarily sell electricity, either to utilities at contracted rates or, in situations where a contract is not in place, at prevailing market rates in regional markets (primarily PJM, NEPOOL and NYISO in the Northeastern United States), and in some cases sell steam directly to industrial users.

We also operate and/or have ownership positions in environmental services businesses, transfer stations and landfills (primarily for ash disposal) that are ancillary and complementary to our EfW projects and generate additional revenue from disposal or service fees.

EfW Contract Structures

Most of our EfW projects were developed and structured contractually as part of competitive procurement processes conducted by municipal entities. As a result, many of these projects have common features. However, each contractual agreement is different, reflecting the specific needs and concerns of a client community, applicable regulatory requirements and/or other factors.

Our EfW projects can generally be divided into three categories, based on the applicable contract structure at a project: (1) “Tip Fee” projects, (2) “Service Fee” projects that we own, and (3) “Service Fee” projects that we do not own but operate on behalf of a municipal owner. Notwithstanding distinctions among these general classifications in contract structures, in all cases we focus on a consistent set of performance indicators to optimize service to customers and operating results:(i) boiler availability; (ii) turbine availability; (iii) safety and environmental performance measures; (iv) tons processed; (v) steam sold; (vi) megawatt hours sold; and (vii) recycled metal tons sold.

The following summarizes the typical contractual and economic characteristics of the three project structures in the North America segment:

	Tip Fee	Service Fee (Owned)	Service Fee (Operated)
Number of facilities:	19	5	17
Client(s):	Host community and municipal and commercial waste customers	Host community, with limited merchant capacity in some cases	Dedicated to host community exclusively
Waste or service revenue:	Per ton “tipping fee”	Fixed fee, with performance incentives and inflation escalation	
Energy revenue:	Covanta retains 100%	Share with client (Covanta retains approximately 20% on average)	
Metals revenue:	Covanta retains 100%	Share with client (Covanta typically retains approximately 50%)	
Operating costs:	Covanta responsible for all operating costs	Pass through certain costs to municipal client (e.g. ash disposal)	
Project debt service:	Covanta project subsidiary responsible	Paid by client explicitly as part of service fee	Client responsible for debt service
After service contract expiration:	N/A	Covanta owns the facility; clients have certain rights set forth in contracts; facility converts to Tip Fee or remains Service Fee with new terms	Client owns the facility; extend with Covanta or tender for new contract

We are principally responsible for capital costs in facilities that we own; however, client communities may have a contractual obligation to fund a portion of certain capital costs, particularly if required by a change in law. We also may be required to participate in capital improvements for non-owned facilities that we operate, which would be accounted for as operating expense. In contracts with our client communities, we agree to operate the facility and meet minimum performance standards. Typically these include waste processing, energy efficiency standards, energy production and environmental standards. Unexcused failure to meet these requirements or satisfy the other material terms of our agreement, may result in damages charged to us or, if the breach is substantial, continuing and unremedied, termination of the applicable agreement. If one or more contracts were terminated for our default, these contractual damages may be material to our cash flow and financial condition. To date, we have not incurred material liabilities under such performance guarantees.

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Contracted and Merchant Revenue

We generated 84% of our waste and service revenue in the North America segment in 2015 under contracts at set rates, while 16% was generated at prevailing market prices. Our waste disposal / service and energy contracts expire at various times between 2016 and 2038. As our contracts expire, we become subject to greater market risk in maintaining and enhancing our revenue. To date, we have been successful in extending the substantial majority of our existing contracts to operate EfW facilities owned by municipal clients. We project 2016 contracted waste and service revenue in North America segment to approximate 2015 levels.

As our waste service agreements at facilities that we own or lease expire, we intend to seek replacement or additional contracts, and because project debt on these facilities will be paid off at such time, we expect to be able to offer rates that will attract sufficient quantities of waste while providing acceptable revenue to us. The expiration of existing energy contracts at these facilities will require us to sell our output either into the local electricity grid at prevailing rates or pursuant to new contracts. We expect that multi-year contracts for waste supply at these facilities will continue to be available on acceptable terms in the marketplace, at least for a substantial portion of facility capacity, as municipalities continue to value long-term committed and sustainable waste disposal capacity. We also expect that an increasing portion of system capacity will be contracted on a shorter-term basis, and so we will have more frequent exposure to waste market risk. We expect that multi-year contracts for energy sales will generally be less available than in the past, thereby increasing our exposure to energy market prices upon expiration. As our existing contracts have expired and our exposure to market energy prices has increased, we entered into hedging arrangements in order to mitigate our exposure to near-term (one to three years) revenue fluctuations in energy markets, and we expect to continue to do so in the future. Our efforts in this regard will involve only mitigation of price volatility for the energy we produce in order to limit our energy revenue "at risk", and will not involve speculative energy trading.

See Item 1A. Risk Factors — Our results of operations may be adversely affected by market conditions existing at the time our contracts expire.

Over time, we will seek to renew, extend or sign new waste and service contracts and pursue opportunities with commercial customers and municipalities that are not necessarily stakeholders in our facilities in order to maintain a significant majority of our waste and service revenue (and EfW fuel supply) under multi-year contracts.

In addition, we are currently focused on expanding our environmental service offerings through both organic growth and acquisitions. The acquisitions will allow us to establish a presence in the environmental services sector, expand the geographical sourcing of our waste streams and drive non-hazardous profiled waste volumes into our EfW facilities. These acquired businesses typically accept waste under short-term contractual arrangements.

We currently operate EfW projects in 16 states and two Canadian provinces. The following map illustrates our EfW and environmental services facility locations in North America:

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Summary information regarding our North America segment energy-from-waste assets is provided in the following table:

			Design Capacity			Contract Expiration Dates [1]	
		Location	Waste Processing (TPD)	Gross Electric (MW)	Nature of Interest	Waste Service	Energy
	TIP FEE STRUCTURES						
1.	Fairfax County [2]	Virginia	3,000	93.0	Owner/Operator	2021	N/A
2.	Southeast Massachusetts [3]	Massachusetts	2,700	78.0	Owner/Operator	N/A	2017
3.	Delaware Valley	Pennsylvania	2,688	87.0	Owner/Operator	2035	2016
4.	Hempstead	New York	2,505	72.0	Owner/Operator	2034	2027
5.	Indianapolis [4][5]	Indiana	2,362	6.5	Owner/Operator	2018	2028
6.	Niagara [4]	New York	2,250	50.0	Owner/Operator	2035	2017-2024
7.	Essex County [6]	New Jersey	2,277	66.0	Owner/Operator	2032	N/A
8	Haverhill [6]	Massachusetts	1,650	44.6	Owner/Operator	N/A	N/A
9.	Union County [6]	New Jersey	1,440	42.1	Lessee/Operator	2031	N/A
10.	Plymouth [6]	Pennsylvania	1,216	32.0	Owner/Operator	N/A	N/A
11.	Tulsa [4][6]	Oklahoma	1,125	16.8	Owner/Operator	2022	2019
12.	Camden [6]	New Jersey	1,050	21.0	Owner/Operator	N/A	N/A
13.	Alexandria/Arlington [6]	Virginia	975	22.0	Owner/Operator	N/A	2023
14.	Stanislaus County	California	800	22.4	Owner/Operator	2027	2016
15.	Bristol [6]	Connecticut	650	16.3	Owner/Operator	2034	N/A
16.	Lake County	Florida	528	14.5	Owner/Operator	N/A	2024
17.	Warren County [6]	New Jersey	450	13.5	Owner/Operator	N/A	N/A
18.	Springfield [6]	Massachusetts	400	9.4	Owner/Operator	2024	N/A
19.	Pittsfield [4]	Massachusetts	240	0.9	Owner/Operator	N/A	2020
	SERVICE FEE (OWNED) STRUCTURES						
20.	Onondaga County	New York	990	39.2	Owner/Operator	2035	2025
21.	Huntington	New York	750	24.3	Owner/Operator	2019	2027
22.	Babylon	New York	750	16.8	Owner/Operator	2019	2027
23.	Southeast Connecticut	Connecticut	689	17.0	Owner/Operator	2017	2017
24.	Marion County	Oregon	550	13.1	Owner/Operator	2017	2017
	SERVICE FEE (OPERATED) STRUCTURES						
25.	Pinellas County	Florida	3,150	75.0	Operator	2024	2024
26.	Miami-Dade County [3][6]	Florida	3,000	77.0	Operator	2023	N/A
27.	Honolulu [3][7]	Hawaii	2,950	90.0	Operator	2032	2033
28.	Lee County [7]	Florida	1,836	57.3	Operator	2024	2028
29.	Montgomery County [6][7]	Maryland	1,800	63.4	Operator	2021	N/A
30.	Hillsborough County	Florida	1,800	46.5	Operator	2029	2025
31.	Long Beach	California	1,380	36.0	Operator	2024	2018
32.	York County	Pennsylvania	1,344	42.0	Operator	2035	2016
33.	Hennepin County	Minnesota	1,212	38.7	Operator	2018	2018
34.	Lancaster County	Pennsylvania	1,200	33.1	Operator	2017	2016
35.	Pasco County	Florida	1,050	29.7	Operator	2024	2024
36.	Harrisburg [6]	Pennsylvania	800	20.8	Operator	2017	2034
37.	Burnaby		800	23.9	Operator	2025	2025

38.	Huntsville [4]	British Columbia Alabama	690	—	Operator	2016	N/A
39.	Kent County	Michigan	625	16.8	Operator	2023	2023
40.	MacArthur	New York	486	12.0	Operator	2030	2027
41.	Durham-York	Durham Region, Canada	480	17.4	Operator (In Service January 2016)	2035	N/A
		SUBTOTAL	53,638	1,405.0			

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(1) Expiration dates are for significant contracts; expiration dates refer to contracts with the host client communities (if any) or other contracts representing at least 40% of facility waste capacity. "N/A" denotes that no contract represents greater than 40% of facility capacity.

(2) This facility transitioned from a service fee (owned) to a tip fee contract effective February 2016.

(3) These facilities use a refuse-derived fuel technology.

(4) These facilities have been designed to export steam for sale. See table below for the equivalent electric output. The equivalent electric output is part of, not in addition to, the design capacity megawatts ("MW") listed in the table above.

Facility	Equivalent Electric Output (MW)
Niagara	66
Indianapolis	52
Tulsa	25
Huntsville	15
Pittsfield	5

At our Niagara EfW Facility, we export steam to local customers under various agreements which expire between 2017 and 2024.

(5) In February 2016, an intermediate level appellate court in Indiana ruled that the City of Indianapolis had not followed applicable procurement rules relating to an amendment to the City's contract with us, and that, therefore, the amendment was void. The amendment had been entered into in 2014 and had extended our contract until 2028.

(6) These facilities either sell electricity into the regional power pool at prevailing market rates or have contractual arrangements to sell electricity at prevailing market rates.

(7) The client has a termination option under the service agreement.

Other Waste Management Infrastructure and Operations

In conjunction with our EfW business, we also own and/or operate 18 transfer stations, 12 environmental services facilities, one regional metals recycling facility, and 4 landfills (primarily utilized for ash disposal). We utilize these assets to supplement and more efficiently manage the waste supply, ash disposal requirements, and metals processing activities at our EfW operations, and in some cases to expand our sustainable solutions service offerings. Recent acquisitions will expand our presence in the environmental services sector and allow us to direct additional non-hazardous profiled waste volumes into our EfW facilities. These businesses are highly synergistic with our existing profiled waste business and offer us the opportunity to expand the geographical sourcing of our waste streams and to provide additional environmental solutions and services to our clients.

Biomass Projects

Currently, our five California biomass facilities are in economic dispatch. Our two Maine biomass facilities are expected to be placed in economic dispatch at the end of the first quarter of 2016. If market conditions improve, we may re-start some or all of our biomass facilities. In each of the years 2015, 2014, and 2013, revenue from our biomass projects represented less than 4% of our North America segment revenue.

OTHER PROJECTS

Outside the North America segment, we currently have interests in international power projects in Ireland, China and Italy, all but one of which are EfW projects. We intend to pursue additional international EfW projects where the regulatory and market environments are attractive. Ownership and operation of facilities in foreign countries potentially involves greater political and financial uncertainties than we experience in the United States, as described below and discussed in Item 1A. Risk Factors.

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Summary information regarding our other EfW projects is provided in the following table:

	Location	Design Capacity Waste Processing (Metric TPD)	Design Capacity Gross Electric (MW)	Nature of Interest	Contract Expiration Dates Waste Service	Contract Expiration Dates Energy
ENERGY-FROM-WASTE TIP FEE STRUCTURES						
1. Dublin [1]	Ireland	1,800	58	100% Owner/Operator (Under Construction)	2062	N/A
2. Chengdu [2] [5]	China	1,800	36	49% Owner/JV Operator	2033	N/A
3. Tongxing [3] [5]	China	1,200	24	16% Owner/JV Operator	2027	N/A
4. Trezzo	Italy	500	18	13% Owner/JV Operator	2023	2023
5. Taixing [4] [5]	China	350	N/A	85% Owner/Operator	2034	2018
	SUBTOTAL	5,650	136			

(1) We expect operations to commence in late 2017. We will operate the facility under a 45-year public-private-partnership agreement, after which ownership of the facility will transfer to Dublin City Council. Waste supply contracts will be entered into with private waste haulers.

(2) The waste service contract and energy contract are renewed annually. Ownership of the project transfers to the host municipality at the expiration of the concession agreement. Sanfeng Covanta serves as operator for the project.

(3) Ownership of the project transfers to the host municipality at the expiration of the concession agreement. Sanfeng Covanta has an equity interest in and serves as operator for the project.

(4) This facility generates only steam for local industrial users. Total steam capacity is 348 metric tons per hour. During the second quarter of 2015, we entered into agreements to divest the majority of our investments in China.

(5) For additional information see Item 8. Financial Statements And Supplementary Data — Note 4. Dispositions, Assets Held for Sale and Discontinued Operations.

MARKETS, COMPETITION AND BUSINESS CONDITIONS

Waste Services

Post-recycled municipal solid waste generation in the United States is over 275 million tons per year, of which the EfW industry processes approximately 11% (of which we process approximately two-thirds).

EfW is an important part of the waste management infrastructure of the United States, particularly in regions with high population density but limited availability of land for landfilling, with more than 80 facilities currently in operation that collectively process approximately 30 million tons of post-recycled solid waste and serve the needs of over 30 million people and produce enough electricity for the equivalent of 1.2 million homes. The use of EfW is even more prevalent in Western Europe and many countries in Asia, such as Japan. Nearly 1,600 EfW facilities are in use today around the world, with a capacity to process approximately 230 million tons of waste per year. In the waste management hierarchies of the United States EPA and the European Union, EfW is designated as a superior solution to landfilling.

Renewable Energy

Public policy in the United States, at both the state and national levels, has developed over the past several years in support of increased generation of renewable energy as a means of combating the potential effects of climate change, as well as increasing domestic energy security. Today in the United States, approximately 13% of electricity is generated from renewable sources, approximately half of which is hydroelectric power.

EfW contributes approximately 5% of the nation’s non-hydroelectric renewable power. EfW is designated as renewable energy in 31 states, the District of Columbia, and Puerto Rico, as well as in several federal statutes and policies. Unlike most other renewable resources, EfW generation can serve base-load demand and is more often located near population centers where demand is greatest, minimizing the need for expensive incremental transmission infrastructure.

General Business Conditions

Economic - Changes in the economy affect the demand for goods and services generally, which affects overall volumes of waste requiring management and the pricing at which we can attract waste to fill available capacity. We receive the majority of our revenue under short- and long-term contracts, which limits our exposure to price volatility, but with adjustments intended to reflect changes in our costs. Where our revenue is received under other arrangements and depending upon the revenue source, we have varying amounts of exposure to price volatility.

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The largest component of our revenue is waste revenue, which has generally been subject to less price volatility than our revenue derived from the sale of energy and metals. Waste markets tend to be affected, both with respect to volume and price, by local and regional economic activity, as well as state and local waste management policies. At the same time, United States natural gas market prices influence electricity and steam pricing in regions where we operate, and thus affect our revenue for the portion of the energy we sell that is not under fixed-price contracts. Energy markets tend to be affected by regional supply and demand, as well as national economic activity and regulations. At our biomass facilities, lower energy prices combined with higher fuel prices have caused us to economically dispatch operations, pending improved market conditions.

The following are various published pricing indices relating to the U.S. economic drivers that are relevant to those aspects of our business where we have market exposure; however there is not a precise correlation between our results and changes in these metrics.

	As of December 31,							
	2015		2014		2013		2012	
Consumer Price Index [1]	0.7	%	0.8	%	1.5	%	1.7	%
PJM Pricing (Electricity) [2]	$36.00		$56.99		$41.93		$34.76	
NE ISO Pricing (Electricity) [3]	$42.93		$64.58		$56.43		$36.08	
Henry Hub Pricing (Natural Gas) [4]	$2.60		$4.33		$3.72		$2.75	
#1 HMS Pricing (Ferrous Metals) [5]	$217		$355		$344		$368	
Scrap Metals - Old Sheet & Old Cast [6]	$0.59		$0.72		$0.71		$0.72	

(1) Represents the year-over-year percent change in the Headline CPI number. The Consumer Price Index (CPI-U) data is provided by the U.S. Department of Labor Bureau of Labor Statistics.

(2) Average price per MWh for full year. Pricing for the PJM PSEG Zone is provided by the PJM ISO.

(3) Average price per MWh for full year. Pricing for the Mass Hub Zone is provided by the NE ISO.

(4) Average price per MMBtu for full year. The Henry Hub Pricing data is provided by the Natural Gas Weekly Update, Energy Information Administration, Washington, DC.

(5) Average price per gross ton for full year. The #1 Heavy Melt Steel ("HMS") composite index ($/gross ton) price is published by American Metal Market.

(6) Average price per pound for full year. Calculated using the high and low prices for Old Sheet & Old Cast Scrap Metals ($/lb) published by American Metal Market.

Seasonal - Our quarterly operating income within the same fiscal year typically differs substantially due to seasonal factors, primarily as a result of the timing of scheduled plant maintenance. We conduct scheduled maintenance periodically each year, which requires that individual boiler and/or turbine units temporarily cease operations. During these scheduled maintenance periods, we incur material repair and maintenance expense and receive less revenue until the boiler and/or turbine units resume operations. This scheduled maintenance usually occurs during periods of off-peak electric demand and/or lower waste volumes, which can vary regionally, but generally are our first, second and fourth fiscal quarters. The scheduled maintenance period in the first half of the year (primarily first quarter and early second quarter) is typically the most extensive, while the third quarter scheduled maintenance period is the least extensive. Given these factors, we normally experience our lowest operating income from our projects during the first half of each year.

Our operating income may also be affected by seasonal weather extremes during summers and winters. Increased demand for electricity and natural gas during unusually hot or cold periods may affect certain operating expense and may trigger material price increases for a portion of the electricity and steam we sell.

Performance - Our EfW facilities have historically demonstrated consistent reliability; our average boiler availability was 91% in 2015. We have historically met our operating obligations without experiencing material unexpected service interruptions or incurring material increases in costs. In addition, with respect to many of our contracts, we generally have limited our exposure for risks not within our control. Across our fleet of facilities, we operate and maintain a large number of combustion units, turbine generators, and air-cooled condensers, among other systems. On an ongoing basis, we assess the effectiveness of our preventative maintenance programs, and implement adjustments

to those programs in order to improve facility safety, reliability and performance. These assessments are tailored to each facility's particular technologies, age, historical performance and other factors. As our facilities age, we expect that the scope of work required to maintain our portfolio of facilities will increase in order to replace or extend the useful life of facility components and to ensure that historical levels of safe, reliable performance continue. For additional information about such risks and damages that we may owe for unexcused operating performance failures, see Item 1A. Risk Factors. In monitoring and assessing the ongoing operating and financial performance of our businesses, we focus on certain key factors: tons of waste processed, electricity and steam sold, boiler availability, plant operating expense and safety and environmental performance.

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Waste, Energy and Metals Markets - We compete in waste markets that are highly competitive. In the United States, the market for waste management is almost entirely price-driven and is greatly influenced by economic factors within regional waste markets. These factors include:

- regional population and overall waste production rates;
- the number of waste disposal sites (including principally landfills, other EfW facilities and transfer stations) in existence or in the planning or permitting process;
- the available disposal capacity (in terms of tons of waste per day) that can be offered by other regional disposal sites;
- the extent to which local governments seek to control transportation and/or disposal of waste within their jurisdictions;
- the extent to which local governments and businesses continue to value sustainable approaches to handling of wastes; and
- the availability and cost of transportation options (e.g., rail, inter-modal, trucking) to provide access to more distant disposal sites, thereby affecting the size of the waste market itself.

In the waste market of our North America segment, waste service providers seek to obtain waste supplies for their facilities by competing on price (usually on a per-ton basis) with other service providers. At our service fee EfW facilities, we typically do not compete in this market because we do not have the contractual right to solicit merchant waste. At these facilities, the client community is responsible for obtaining the waste, if necessary by competing on price to obtain the tons of waste it has contractually promised to deliver to us. At our EfW facilities governed by tip fee contracts and our waste procurement services businesses, we are responsible for obtaining waste supply, and therefore, actively compete in these markets to enter into spot, medium- and long-term contracts. These EfW projects are generally in densely-populated areas, with high waste generation rates and numerous large and small participants in the regional market. Our waste operations are largely concentrated in the northeastern United States. See Item 1A. Risk Factors — Our waste operations are concentrated in one region and expose us to regional economic or market declines for additional information concerning this geographic concentration. Certain of our competitors in these markets are vertically-integrated waste companies, which include waste collection operations, and thus have the ability to control supplies of waste, which may restrict our ability to offer services at attractive prices. Our business does not include traditional waste collection operations.

If a long-term contract expires and is not renewed or extended by a client community, our percentage of contracted processing capacity will decrease and we will need to compete in the regional market for waste supply at the facilities we own, from both municipal and commercial services. At that point, we will compete on price with landfills, transfer stations, other EfW facilities and other waste technologies that are then offering disposal or other services in the region.

Our sustainable service offerings seek to respond to increasing customer demand for environmentally preferred waste handling and disposal, as well as specific business risk mitigation requirements for certain materials. For these services, we compete with many large and small companies offering these services, in local and regional waste markets that are similarly influenced by the factors noted above which affect the broader waste markets.

We currently sell the majority of our electricity and other energy product output pursuant to contracts, and for this portion of our energy output we do not compete on price. As these contracts expire, we will sell an increasing portion of our energy output into competitive energy markets or pursuant to short-term contracts and, as such, generally expect to have a growing exposure to energy market price volatility.

We have entered into hedging arrangements in order to mitigate our exposure to this volatility, and we expect to continue to do so in the future. Our efforts in this regard will involve only mitigation of price volatility for the energy we produce, and will not involve speculative energy trading.

For the portion of our portfolio that is exposed to electricity markets, we expect prices will be driven by several factors including natural gas supply/demand conditions, regional electricity supply/demand factors, regional transmission and natural gas supply capacity and system conditions, weather conditions, and emerging environmental regulations. All of these factors will have national and regional impacts that affect electricity and steam prices.

Electricity and steam prices in the markets where the majority of our facilities are located are heavily impacted by movements in natural gas prices. The substantial increase in unconventional or shale gas supply has created downward pressure on gas prices relative to historical levels and therefore prices for the electricity we sell that is not under contract. However, when demand for gas is high during certain seasons or weather conditions, the gas pipeline system has been limited in its ability to transport enough gas to certain regions, such as New England and California. As result, gas prices can experience short-term spikes, and electricity prices follow.

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Several long-term trends are expected to affect U.S. natural gas prices; including shale gas production, storage capacity, liquefied natural gas ("LNG") exports, regulation, coal plant retirements, as well as industrial, transportation and residential demand. Furthermore, regional natural gas prices, especially in the Northeast are expected to be affected by changes in regional production and transportation capacity.

We generally enter into short-term contracts for sales of recovered ferrous and non-ferrous metals with processors and end-users (i.e., mills). We compete with other suppliers who are generally not in the EfW industry and whose product may be less costly to process than metals from EfW sources. In addition, third parties to whom we sell our metals are often not well-capitalized, which creates greater credit and performance risk to us than we typically experience in our other lines of business. Because of these and other factors, and because we expect to continue to enhance our metals recovery activities, we generally expect to have a growing exposure to metals market volatility. We also have enhanced our focus on mitigating commercial risks associated with metals recovery and revenue generation.

Technology, Research and Development

In our EfW business, we own and/or operate EfW facilities that utilize various technologies from several different vendors, including mass-burn combustion technologies and refuse-derived fuel technologies which include pre-combustion waste processing not required with a mass-burn design. As we continue our efforts to develop and/or acquire additional EfW projects internationally, we will consider mass-burn combustion and other technologies that best fit the needs of the local environment of a particular project.

In addition, we will continue to consider technologies better suited than mass-burn combustion for smaller scale applications, including gasification technologies.

We believe that all forms of EfW technologies offer an environmentally superior solution to post-recycled waste management and energy challenges faced by leaders around the world, and that our efforts to expand our business will be enhanced by the development of additional technologies in such fields as emission controls, residue disposal, alternative waste treatment processes, gasification, and combustion controls. We have advanced our research and development efforts in these areas, and have developed new and cost-effective technologies that represented major advances in controlling NOx emissions. These technologies, for which patents have been granted, have been tested at existing facilities and we are now operating and/or installing such systems at a number of our facilities. We intend to maintain a focus on research and development of technologies in these and other areas that we believe will enhance our competitive position, and offer new technical solutions to waste and energy problems that augment and complement our business.

A number of other companies are similarly engaged in new technology development focused on extracting energy from waste materials through a variety of technical approaches, including: gasification, pyrolysis or other combustion designs; converting waste to fuels or other commodities; or processing waste to enable co-firing in larger power plants or industrial boilers. Firms engaged in these activities generally are less well-capitalized than Covanta, although some engage in joint ventures with larger and more well-capitalized companies. To date, we believe such efforts have not produced technologies that offer economically attractive alternatives in the absence of policy support.

REGULATION OF BUSINESS

Regulations Affecting Our North America Segment

Environmental Regulations — General

Our business activities in the United States are extensively regulated pursuant to federal, state and local environmental laws. Federal laws, such as the Clean Air Act and Clean Water Act, and their state counterparts, govern discharges of pollutants to air and water. Other federal, state and local laws comprehensively govern the generation, transportation, storage, treatment and disposal of solid and hazardous waste and also regulate the storage and handling of chemicals and petroleum products (such laws and regulations are referred to collectively as the “Environmental Regulatory Laws”).

Other federal, state and local laws, such as the Comprehensive Environmental Response Compensation and Liability Act, commonly known as “CERCLA” and collectively referred to with such other laws as the “Environmental Remediation Laws,” make us potentially liable on a joint and several basis for any onsite or offsite environmental contamination which may be associated with our activities and the activities at our sites. These include landfills we

have owned, operated or leased, or at which there has been disposal of residue or other waste generated, handled or processed by our facilities. Some state and local laws also impose liabilities for injury to persons or property caused by site contamination. Some service agreements provide us with indemnification from certain liabilities.

The Environmental Regulatory Laws prohibit disposal of regulated hazardous waste at our municipal solid waste facilities. The service agreements recognize the potential for inadvertent and improper deliveries of hazardous waste and specify procedures for dealing with hazardous waste that is delivered to a facility. Under some service agreements, we are responsible for some costs related to hazardous waste deliveries. We have not incurred material hazardous waste disposal costs to date.

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The Environmental Regulatory Laws also require that many permits be obtained before the commencement of construction and operation of any waste or renewable energy project, and further require that permits be maintained throughout the operating life of the facility. We can provide no assurance that all required permits will be issued or re-issued, and the process of obtaining such permits can often cause lengthy delays, including delays caused by third-party appeals challenging permit issuance. Our failure to meet conditions of these permits or of the Environmental Regulatory Laws can subject us to regulatory enforcement actions by the appropriate governmental authority, which could include fines, penalties, damages or other sanctions, such as orders requiring certain remedial actions or limiting or prohibiting operation. See Item 1A. Risk Factors — Compliance with environmental laws, including changes to such laws, could adversely affect our results of operations. To date, we have not incurred material penalties, been required to incur material capital costs or additional expense, or been subjected to material restrictions on our operations as a result of violations of Environmental Regulatory Laws or permit requirements. Although our operations are occasionally subject to proceedings and orders pertaining to emissions into the environment and other environmental violations, which may result in fines, penalties, damages or other sanctions, we believe that we are in compliance with existing Environmental Regulatory and Remediation Laws. We may be identified, along with other entities, as being among parties potentially responsible for contribution to costs associated with the correction and remediation of environmental conditions at disposal sites subject to CERCLA and/or analogous state Environmental Remediation Laws. Our ultimate liability in connection with such environmental claims will depend on many factors, including our volumetric share of waste, the total cost of remediation, and the financial viability of other companies that have also sent waste to a given site and, in the case of divested operations, our contractual arrangement with the purchaser of such operations.

The Environmental Regulatory Laws may change. New technology may be required or stricter standards may be established for the control of discharges of air or water pollutants, for storage and handling of petroleum products or chemicals, or for solid or hazardous waste or ash handling and disposal. Thus, as new technology is developed and proven, we may be required to incorporate it into new facilities or make major modifications to existing facilities. This new technology may be more expensive than the technology we use currently.

Environmental Regulations — Recent Developments

Maximum Achievable Control Technology ("MACT") Rules — EPA is authorized under the Clean Air Act to issue rules periodically which tighten air emission requirements to achievable standards, as determined under a specified regulatory framework. EPA is required to establish these MACT rules for a variety of industries, including new and existing municipal waste combustion (“MWC”) units, industrial boilers and solid waste incinerators. All of our facilities comply with all applicable MACT rules currently in effect.

EPA is currently conducting a combined Risk and Technology Review for the large MWC source category and will subsequently propose revised MWC MACT rules. While the scope of and timing for implementation of these rules is uncertain, the revised MWC MACT rules are expected to lower existing MWC MACT emission limits for most, if not all, regulated air pollutants emitted by our facilities, and may require capital improvements and/or increased operating costs. We are unable at this time, to estimate the magnitude of such costs, which may be material, or to determine the potential impact on the profitability of our MWC facilities.

In some cases, the costs incurred to meet the revised MACT rules at facilities may be recovered from municipal clients and other users of our facilities through increased fees permitted to be charged under applicable contracts; however, to the extent we incur costs at other of our facilities to meet the applicable MACT rules, such costs are not subject to contractual recovery and instead will be borne directly by the affected facilities.

Revised Ground Level Ozone Standards — On October 26, 2015, EPA published a final rule to revise and strengthen the National Ambient Air Quality Standards ("NAAQS") for ground-level ozone or “smog”. Once implemented by EPA and affected states, this rule could impact changes to our existing air permits that we may pursue in the future.

Energy Regulations

Our businesses are subject to the provisions of federal, state and local energy laws applicable to the development, ownership and operation of facilities located in the United States. The Federal Energy Regulatory Commission (“FERC”), among other things, regulates the transmission and the wholesale sale of electricity in interstate commerce

under the authority of the Federal Power Act ("FPA"). In addition, under existing regulations, FERC determines whether an entity owning a generation facility is an Exempt Wholesale Generator ("EWG"), as defined in the Public Utility Holding Company Act of 2005 ("PUHCA 2005"). FERC also determines whether a generation facility meets the ownership and technical criteria of a Qualifying Facility (cogeneration facilities and other facilities making use of non-fossil fuel power sources, such as waste, which meet certain size and other applicable requirements, referred to as "QFs"), under the Public Utility Regulatory Policies Act of 1978, as amended ("PURPA"). Each of our United States generating facilities has either been determined by FERC to qualify as a QF or is otherwise exempt, or the subsidiary owning the facility has been determined to be an EWG.

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Federal Power Act — The FPA gives FERC exclusive rate-making jurisdiction over the wholesale sale of electricity and transmission of electricity in interstate commerce. Under the FPA, FERC, with certain exceptions, regulates the owners of facilities used for the wholesale sale of electricity or transmission of electricity in interstate commerce as public utilities. The FPA also gives FERC jurisdiction to review certain transactions and numerous other activities of public utilities. Most of our QFs are currently exempt from FERC's rate regulation under the FPA because (i) the QF is 20 MW or smaller, (ii) its sales are made pursuant to a state regulatory authority's implementation of PURPA, (iii) the QF is owned by a municipality or subdivision thereof; or (iv) its sales are made pursuant to a contract executed on or before March 17, 2006. Our QFs that are not exempt, or that lose these exemptions from rate regulation, are or would be required to obtain market-based rate authority from FERC or otherwise make sales pursuant to rates on file with FERC.

Under the FPA, public utilities are required to obtain FERC's acceptance of their rate schedules for the wholesale sale of electricity. Our generating companies in the United States that are not otherwise exempt from FERC's rate regulation have sales of electricity pursuant to market-based rates or other rates authorized by FERC. With respect to our generating companies with market-based rate authorization, FERC has the right to suspend, revoke or revise that authority and require our sales of energy to be made on a cost-of-service basis if FERC subsequently determines that we can exercise market power, create barriers to entry, or engage in abusive affiliate transactions. In addition, amongst other requirements, our market-based rate sellers are subject to certain market behavior and market manipulation rules and, if any of our subsidiaries were deemed to have violated any one of those rules, such subsidiary could be subject to potential disgorgement of profits associated with the violation and/or suspension or revocation of market-based rate authority, as well as criminal and civil penalties. If the market-based rate authority for one (or more) of our subsidiaries was revoked or it was not able to obtain market-based rate authority when necessary, and it was required to sell energy on a cost-of-service basis, it could become subject to the full accounting, record keeping and reporting requirements of FERC. Even where FERC has granted market-based rate authority, FERC may impose various market mitigation measures, including price caps, bidding rules and operating restrictions where it determines that potential market power might exist and that the public interest requires such potential market power to be mitigated. A loss of, or an inability to obtain, market-based rate authority could have a material adverse impact on our business. We can offer no assurance that FERC will not revisit its policies at some future time with the effect of limiting market-based rate authority, regulatory waivers, and blanket authorizations.

Under the Energy Policy Act of 2005 ("EPAct 2005"), FERC has approved the North American Electric Reliability Corporation, or "NERC," to address the development and enforcement of mandatory reliability standards for the wholesale electric power system. Certain of our subsidiaries are responsible for complying with the standards in the regions in which we operate. NERC also has the ability to assess financial penalties for non-compliance. In addition to complying with NERC requirements, certain of our subsidiaries must comply with the requirements of the regional reliability council for the region in which that entity is located. Compliance with these reliability standards may require significant additional costs, and noncompliance could subject us to regulatory enforcement actions, fines, and increased compliance costs.

Public Utility Holding Company Act of 2005 — PUHCA 2005 provides FERC with certain authority over and access to books and records of public utility holding companies not otherwise exempt by virtue of their ownership of EWGs, QFs, and Foreign Utility Companies, as defined in PUHCA 2005. We are a public utility holding company, but because all of our generating facilities have QF status, are otherwise exempt, or are owned through EWGs, we are exempt from the accounting, record retention, and reporting requirements of PUHCA 2005.

Public Utility Regulatory Policies Act — PURPA was passed in 1978 in large part to promote increased energy efficiency and development of independent power producers. PURPA created QFs to further both goals, and FERC is primarily charged with administering PURPA as it applies to QFs. FERC has promulgated regulations that exempt QFs from compliance with certain provisions of the FPA, PUHCA 2005, and certain state laws regulating the rates charged by, or the financial and organizational activities of, electric utilities. The exemptions afforded by PURPA to QFs from regulation under the FPA and most aspects of state electric utility regulation are of great importance to us and our competitors in the EfW and independent power industries.

PURPA also initially included a requirement that utilities must buy and sell power to QFs. Among other things, EPAct 2005 eliminated the obligation imposed on utilities to purchase power from QFs at an avoided cost rate where the QF has non-discriminatory access to wholesale energy markets having certain characteristics, including nondiscriminatory transmission and interconnection services. In addition, FERC has established a regulatory presumption that QFs with a capacity greater than 20 MW have non-discriminatory access to wholesale energy markets in most geographic regions in which we operate. As a result, many of our expansion, renewal and development projects must rely on competitive energy markets rather than PURPA's historic avoided cost rates in establishing and maintaining their viability.

Recent Policy Debate Regarding Climate Change and Renewable Energy

The public and political debate over GHG emissions (principally CO2 and methane) and their contribution to climate change continues both internationally and domestically. Any resulting regulations could in the future affect our business. As is the case with all combustion, our facilities emit CO2, however EfW is recognized as creating net reductions in GHG emissions and is otherwise environmentally beneficial, because it:

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- avoids CO2 emissions from fossil fuel power plants;
- avoids methane emissions from landfills; and
- avoids GHG emissions from mining and processing metal because it recovers and recycles metals from waste.

In addition, EfW facilities are a domestic source of energy, preserve land, and are typically located close to the source of the waste and thus typically reduce fossil fuel consumption and air emissions associated with long-haul transportation of waste to landfills.

For policy makers at the local level who make decisions on sustainable waste management alternatives, we believe that using EfW instead of landfilling will result in significantly lower net GHG emissions, while also introducing more control over the cost of waste management and supply of local electrical power. We are actively engaged in encouraging policy makers at state and federal levels to enact legislation that supports EfW as a superior choice for communities to avoid both the environmental harm caused by landfilling waste, and reduce local reliance on fossil fuels as a source of energy.

Many of these same policy considerations apply equally to other renewable technologies. The extent to which such potential legislation and policy initiatives will affect our business will depend in part on whether EfW and our other renewable technologies are included within the range of clean technologies that could benefit from such legislation.

In October 2015, EPA published two new rules regulating greenhouse gas emissions. The first rule, the Clean Power Plan, regulates existing fossil fuel fired electric generating units. The second regulation sets greenhouse gas emissions standards for new power plants. Our facilities are not regulated entities under either of these rules. States are required to develop their plans for implementing the new emission guidelines by 2016 or request an extension until 2018. Depending on the specific details of the state plans, implementation of the Clean Power Plan may create additional demand for our power and new MWC capacity may benefit from certain credits; implementation scope and schedule is uncertain as a result of court challenges. We cannot predict at this time the magnitude of the potential impact to our business of these newly promulgated rules. We continue to closely follow developments in this area.

In addition to the new EPA rules, several initiatives have been developed at the state or regional levels, and some initiatives exist in regions where we have projects. For example:

- The Regional Greenhouse Gas Initiative (“RGGI”) is an operating regional “cap-and-trade” program focused on fossil fuel-fired electric generators which does not directly affect EfW facilities. We operate one fossil-fuel fired boiler at our Niagara facility included in the RGGI program.
- California's Global Warming Solutions Act of 2006 ("AB 32"), seeks to reduce GHG emissions in California to 1990 levels by 2020. AB 32 includes an economy-wide “cap-and-trade” program, which could impact our California EfW facilities, but not our biomass facilities. 2013 and 2014 regulatory amendments excluded EfW facilities from the cap-and-trade program through the end of 2015. The future treatment of EfW facilities under this program is uncertain at this time.
- The province of Ontario, Canada is currently in the process of developing a greenhouse gas cap and trade program, which could impact the Durham-York facility. We cannot predict at this time the outcome of this policy development and its potential impact on our business.

International Climate Change Policies

Certain international markets in which we compete have recently adopted regulatory or policy frameworks that encourage EfW projects as important components of GHG emission reduction strategies, as well as waste management planning and practice.

The European Union

The European Union has adopted legislation which requires member states to reduce the utilization of and reliance upon landfill disposal. The legislation emanating from the European Union is primarily in the form of “Directives,” which are binding on the member states but must be transposed through national enabling legislation to implement their practical requirements, a process which can result in significant variance between the legislative schemes introduced by member states. Certain Directives notably affect the regulation of EfW facilities across the European Union. These include (1) Directive 2010/75/EU on industrial emissions (the "Industrial Emissions Directive") which consolidated and replaced seven existing Directives, including Directive 96/61/EC concerning integrated pollution

prevention and control (known as the “IPPC Directive”) which governed emissions to air, land and water from certain large industrial installations, and Directive 2000/76/EC concerning the incineration of waste (known as the “Waste Incineration Directive” or “WID”), which imposed limits on emissions to air or water from the incineration and co-incineration of waste, (2) Directive 1999/31/EC concerning the landfill of waste (known as the “Landfill Directive”) which imposes operational and technical controls on landfills and restricts, on a reducing scale, the amount of biodegradable municipal waste which member states may dispose of to landfill, and (3) Directive 2008/98/EC on waste (known as the revised “Waste Framework Directive”) which enshrines the waste hierarchy to divert waste from landfill and underpins a preference for efficient energy-from-waste for the recovery of value from residual wastes.

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China

China currently has a favorable regulatory environment for the development of EfW projects. The Ministry of Housing and Urban-Rural Development of the People's Republic of China has set a goal to increase the volume of waste disposed of by EfW facilities from 1% (2005 estimate) to 30% by 2030. The Chinese central government has further called for an increase in EfW output generation from 200 MW (2005 estimate) to three gigawatts by 2020. Energy-from-waste and municipal waste disposal services are designated by the Chinese central government as "encouraged industries" for foreign investment. According to the latest Catalogue of Industries for Guiding Foreign Investment, the EfW industry remains within the "encouraged industries" for foreign investment. China also has various promotional laws and policies in place to promote EfW and municipal waste disposal projects including exemptions and reductions of corporate income tax, value added tax refunds, prioritized commercial bank loans, state subsidies for loan interest, and a guaranteed subsidized price at RMB 0.65/KWh for the sale of electricity, as long as certain statutory conditions are met.

Employee Health and Welfare

We are subject to numerous regulations enacted to protect and promote worker health and welfare through the implementation and enforcement of standards designed to prevent illness, injury and death in the workplace. The primary law relating to employee health and welfare applicable to our business in the United States is the Occupational Safety and Health Act of 1970 ("OSHA"), which establishes certain employer responsibilities including maintenance of a workplace free of recognized hazards likely to cause illness, death or serious injury, compliance with standards promulgated by OSHA, and assorted reporting and record keeping obligations, as well as disclosure and procedural requirements. Various OSHA standards apply to certain aspects of our operations.

Employee health and welfare laws governing our business in foreign jurisdictions include the Workplace Health and Safety Directive and the Directive concerning ionizing radiation in the European Union, and various provisions of the Canada Labour Code and related regulations in Canada.

EMPLOYEES

As of December 31, 2015, we employed approximately 3,800 full-time employees worldwide, the majority of which were employed in the United States. Of our employees in the United States and Canada, approximately 7% are represented by organized labor. Currently, we are party to 10 collective bargaining agreements: five expire in 2016; two expire in 2017; two expire in 2018 and one expires in 2019. We consider relations with our employees to be good.

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EXECUTIVE OFFICERS OF THE REGISTRANT

A list of our executive officers and their business experience follows. Ages shown are as of February 1, 2016.

Name and Title	Age	Experience
Stephen J. Jones President and Chief Executive Officer	54	President and Chief Executive Officer since March 2015. Prior to joining Covanta, Mr. Jones was employed by Air Products and Chemicals, Inc. (“Air Products”), a global supplier of industrial gases, equipment and services from 1992 through September 2014. Mr. Jones served as Senior Vice President and General Manager, Tonnage Gases, Equipment and Energy, from April 2009 through September 2014. Mr. Jones also served as Air Products’ China President from June 2011 through September 2014 at Air Products’ office in Shanghai. He was also a member of Air Products’ Corporate Executive Committee from 2007 through September 2014. Mr. Jones joined Air Products in 1992 as an attorney in the Law Group representing various business areas and functions and in 2007 he was appointed Senior Vice President, General Counsel and Secretary.
Michael J. de Castro Executive Vice President, Supply Chain	53	Executive Vice President, Supply Chain since July 2015. Prior to joining Covanta, Mr. de Castro was employed by Air Products beginning in 2006, serving in various operational capacities including Director, Global Operations Americas. Mr. de Castro left Air Products in 2010 to become Chief Executive Officer of Interstate Waste Services ("IWS") located in Basking Ridge, NJ. In 2013, he returned to Air Products, serving as Director, Global Operations Strategic Development and most recently as Fulfillment Director in the Performance Materials Division. Prior to his tenure at IWS and Air Products, Mr. de Castro held a variety of positions at American Ref-Fuel Company for 16 years, culminating with the role of Vice President, Operations.
Bradford J. Helgeson Executive Vice President and Chief Financial Officer	39	Executive Vice President and Chief Financial Officer since November 2013. Mr. Helgeson served as Vice President and Treasurer from May 2007 to November 2013. Prior to joining Covanta in May 2007, Mr. Helgeson was Vice President, Finance and Treasurer at Waste Services, Inc., a publicly-traded environmental services company with operations in the United States and Canada, from 2004 to 2007. Prior to these roles, Mr. Helgeson held positions in the investment banking departments at Lehman Brothers from 2000 to 2004 and at Donaldson, Lufkin & Jenrette from 1998 to 2000, where he worked on a wide range of capital markets and merger and acquisition transactions for industrial companies, with a particular focus in the environmental services sector.
Matthew R. Mulcahy Senior Vice President and Head of Corporate Development	52	Senior Vice President and Head of Corporate Development since 2012. Mr. Mulcahy served as Senior Vice President of Business Development for Covanta Energy Americas, Covanta’s domestic business operation, from 2007 through 2011. From 2003 to 2007, Mr. Mulcahy served as Vice President of Covanta Secure Service and TransRiver Marketing, a Covanta subsidiary. From 2000 to 2003, Mr. Mulcahy was Covanta’s Vice President, Project Implementation. Mr. Mulcahy joined Covanta in 1990.
Timothy J. Simpson Executive Vice President, General Counsel and	57	Executive Vice President, General Counsel and Secretary since December 2007. Mr. Simpson served as Senior Vice President, General

Secretary		Counsel and Secretary from October 2004 to December 2007. Previously, he served as Senior Vice President, General Counsel and Secretary of Covanta Energy from March 2004 to October 2004. From June 2001 to March 2004, Mr. Simpson served as Vice President, Associate General Counsel and Assistant Secretary of Covanta Energy. Mr. Simpson joined Covanta Energy in 1992.
Derek W. Veenhof Executive Vice President, Sustainable Solutions	49	Executive Vice President - Sustainable Solutions since November 2013. Mr. Veenhof served as Senior Vice President of Covanta 4Recovery L.P., a wholly-owned subsidiary of Covanta Energy, from November 2011 to November 2013. From January 2007 to November 2011, Mr. Veenhof served as Vice President of TransRiver Marketing, a Covanta Energy subsidiary, and managed contract efforts in recycling and waste. From July 2002 to December 2006, Mr. Veenhof was Covanta Energy's New York Metro Area Manager responsible for waste contract negotiations, business operations and business marketing and development for the Metro NY, NJ and Philadelphia market areas.
Michael A. Wright Senior Vice President and Chief Human Resources Officer	53	Senior Vice President and Chief Human Resources Officer since June 2009. Mr. Wright served as President of The Wright Group, Inc., a boutique human capital consulting firm from April 2008 to April 2009, prior to which Mr. Wright spent 25 years serving in a variety of positions at the Altria family of companies (Kraft and Philip Morris), including Vice President-Human Resources & Technology for Altria Corporate Services, Inc. from 2006 to 2008.

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Name and Title	Age	Experience
Neil C. Zieselman Vice President and Chief Accounting Officer	40	Vice President and Chief Accounting Officer since June 2014. Mr. Zieselman served as Corporate Controller from August 2010 to June 2014. Mr. Zieselman served as Domestic Operations Controller from November 2007 to August 2010 and Director of External Reporting from February 2006 to November 2007. Prior to these roles, Mr. Zieselman held accounting and finance positions with Cendant Corporation and Avaya Inc. He began his career as an auditor with PricewaterhouseCoopers LLP.

Item 1A. RISK FACTORS

The following risk factors could have a material adverse effect on our business, financial condition and results of operations.

Exposure to energy, waste disposal, recycled metal and commodity prices may affect our results of operations.

Some of the electricity and steam we sell and all of the recycled metals we sell, are subject to market price volatility. Changes in the market prices for electricity and steam in particular can be affected by changes in natural gas prices, weather conditions and other market variables, while recycled metals prices are affected by general economic conditions and global demand for construction, goods and services. Similarly, the portion of waste processing capacity which is not under contract may be subject to volatility, principally as a result of general economic activity and waste generation rates, as well as the availability of alternative disposal sites and the cost to transport waste to alternative disposal. Volatility with respect to these all of these revenue categories could adversely impact our businesses' profitability and financial performance. We may not be successful in our efforts to mitigate our exposure to price swings relating to these revenue streams.

We may experience volatility in the market prices and availability of commodities we purchase, such as reagents, chemicals and fuel. Any price increase, delivery disruption or reduction in the availability of such supplies could affect our ability to operate the facilities and impair our cash flow and profitability. We may not be successful in our efforts to mitigate our exposure to supply and price swings for these commodities.

Weakness in the economy may have an adverse effect on our revenue, cash flow and our ability to grow our business.

Our business is directly affected by economic slowdowns and general reduction in demand for goods and services. A weak economy generally results in reduced overall demand for waste disposal, recycled metal and energy production. Under such conditions, the pricing we are able to charge for our waste management services, and for our energy and recycled metals, may decline and/or experience increased volatility. In addition, many of our customers are municipalities and public authorities which may be adversely affected in an economic downturn due to reduced tax revenue. Consequently some of these entities could be unable to pay amounts owed to us or renew contracts with us for similar volumes or at previous or increased rates.

Furthermore, lower prices for waste disposal and energy production, particularly in the absence of energy policies which encourage renewable technologies such as EfW, may also make it more difficult for us to sell waste and energy services at prices sufficient to allow us to grow our business through developing and building new projects. These factors could have a material adverse effect on our profitability and cash flow.

Compliance with environmental laws, including changes to such laws, could adversely affect our results of operations.

Our waste and energy services businesses are subject to extensive environmental laws and regulations by federal, state, local and foreign authorities, primarily relating to air, waste (including residual ash from combustion) and water. Costs relating to compliance with these laws and regulations are material to our business. If our businesses fail to comply with these regulations, our cash flow and profitability could be adversely affected, and we could be subject to civil or criminal liability, damages and fines.

In addition, lawsuits or enforcement actions by federal, state, local and/or foreign regulatory agencies may materially increase our costs. Stricter environmental regulation of air emissions, solid waste handling or combustion, residual ash

handling and disposal, and waste water discharge could materially affect our cash flow and profitability. Certain environmental laws make us potentially liable on a joint and several basis for the remediation of contamination at or emanating from properties or facilities we currently or formerly owned or operated or properties to which we arranged for the disposal of hazardous substances. Such liability is not limited to the cleanup of contamination we actually caused. We cannot provide any assurance that we will not incur liability relating to the remediation of contamination, including contamination we did not cause. For additional information on environmental regulation, see Item 1. Business — Regulation of Business.

Existing environmental laws and regulations have been and could be revised or reinterpreted, and future changes in environmental laws and regulations are expected to occur. This may materially increase the amount we must invest to bring our facilities into

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compliance, impose additional expense on our operations, limit our ability to operate at capacity, or at all, or otherwise impose structural changes to markets which would adversely affect our competitive positioning in those markets.

Contracts to provide new services or services through new or different methods involves significant risks, which could have an adverse effect on our cash flows and results of operations.

As we enter into contracts to provide new services or services through new or different methods, such as our waste transportation and disposal contract with New York City or our acquired environmental services businesses, we may face additional operating risks. These may include:

- performance by multiple contractors critical to our ability to perform under our new customer agreements;
- logistics associated with transportation of waste via barge, rail or other methods with which we have limited experience;
- reliance on joint venture parties or technology providers with whom we have limited experience; and
- risks associated with providing new materials handling or treatment services.

Operation of our businesses involves significant risks, which could have an adverse effect on our cash flows and results of operations.

The operation of our businesses involves many risks, including:

- supply or transportation interruptions;
- the breakdown, failure or unplanned maintenance or repair of equipment or processes;
- difficulty or inability to find suitable replacement parts for equipment;
- the unavailability of sufficient quantities of waste or fuel;
- fluctuations in the heating value of the waste we use for fuel at our EfW facilities;
- failure or inadequate performance by subcontractors;
- disruption in the transmission of electricity generated;
- labor disputes and work stoppages;
- unforeseen engineering and environmental problems;
- unanticipated cost overruns;
- weather interferences and catastrophic events including fires, explosions, earthquakes, droughts, pandemics and acts of terrorism; and
- the exercise of the power of eminent domain.

We cannot predict the impact of these risks on our business or operations. One or more of these risks, if they were to occur, could prevent us from meeting our obligations under our operating contracts and have an adverse effect on our cash flows and results of operations.

Our results of operations may be adversely affected by market conditions existing at the time our contracts expire.

For the EfW facilities that we own or lease, the contracts pursuant to which we provide waste services and sell energy output expire on various dates between 2016 and 2038. Expiration of these contracts subjects us to greater market risk in entering into new or replacement contracts at pricing levels that may not generate comparable revenue. We cannot assure you that we will be able to enter into renewal or replacement contracts on favorable terms, or at all. We also expect that medium- and long-term contracts for sales of energy may be less available than in the past, and so after expiration of existing contracts we expect to sell our energy output either in short-term transactions or on a spot basis or pursuant to new contracts which may subject us to greater market risk in maintaining and enhancing revenue. As a result, following the expiration of our existing long-term contracts, we may have more exposure on a relative basis to market risk, and therefore revenue fluctuations, in energy markets than in waste markets.

Where we have leasehold interests, we cannot assure you that market conditions prevailing when such interests expire will allow us to enter into an extension or that the terms available in the market at the time will be favorable to us.

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Changes in public policies and legislative initiatives could materially affect our business and prospects.

There has been substantial debate recently in the United States and abroad in the context of environmental and energy policies affecting climate change, the outcome of which could have a positive or negative influence on our existing business and our prospects for growing our business. Congress has considered proposed legislation which is designed to increase the proportion of the nation's electricity that is generated from technologies considered "clean" or "renewable", through mandatory generation levels, tax incentives, and other means. Congress has also considered enacting legislation which sets declining limits on greenhouse gas emissions, and requires generators to purchase rights to emit in excess of such limits, and allows such rights to be traded. For those sources of greenhouse gas emissions that are unable to meet the required limitations, such legislation could impose substantial financial burdens. The EPA has proposed rules which require states to develop plans to reduce carbon emissions from the energy sector, through a variety of methods generally subject to state discretion. Our business and future prospects could be adversely affected if renewable technologies we use were not included among those technologies identified in any final laws or regulations as being clean or renewable or greenhouse gas reducing, or not included in the state plans to reduce carbon emissions, and therefore not entitled to the benefits of such laws, regulations, or plans.

Our revenue and cash flows may decline if we are not successful in retaining rights or such rights terminate to operate facilities after our contracts expire.

We operate some facilities owned by municipal clients, under long-term contracts. If, when existing contracts expire, we are unable to reach agreement with our municipal clients on the terms under which they would extend our operating contracts, this may adversely affect our revenue, cash flow and profitability. We cannot assure that we will be able to enter into such contracts or that the terms available in the market at the time will be favorable to us.

At a limited number of facilities we operate that are owned by municipal clients, our clients have certain rights to terminate such contracts without cause. If any such terminations were to occur, this may adversely affect our revenue, cash flow and profitability. We cannot assure that such contract terminations will not occur in the future.

Our revenue and cash flows may be subject to greater volatility if we extend or renew our contracts under tip fee structures more often than service fee structures.

Our revenue and cash flows may be subject to greater volatility if we extend or renew our contracts under tip fee structures more often than under service fee structures. Due to the nature of tip fee structures, if that were to occur, we may be exposed to greater performance and price risk on the energy we sell.

Some of our EfW projects involve greater risk of exposure to performance levels which, if not satisfied, could result in materially lower revenue.

At our EfW facilities where tip fee structures exist, we receive 100% of the energy revenue they generate. As a result, if we are unable to operate these facilities at their historical performance levels for any reason, our revenue from energy sales could materially decrease.

Our substantial indebtedness could adversely affect our business, financial condition and results of operations and our ability to meet our payment obligations under our indebtedness.

The level of our consolidated indebtedness could have significant consequences on our future operations, including:

- making it difficult for us to meet our payment and other obligations under our outstanding indebtedness;
- limiting our ability to obtain additional financing to fund working capital, capital expenditures, acquisitions and other general corporate purposes;
- subjecting us to the risk of increased sensitivity to interest rate increases on indebtedness under our credit facilities;
- limiting our flexibility in planning for, or reacting to, and increasing our vulnerability to, changes in our business, the industries in which we operate and the general economy; and
- placing us at a competitive disadvantage compared to our competitors that have less debt or are less leveraged.

Any of the above-listed factors could have an adverse effect on our business, financial condition and results of operations and our ability to meet our payment obligations under our consolidated debt, and the price of our common stock.

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We cannot assure you that our cash flow from operations will be sufficient to service our indebtedness, which could have a material adverse effect on our financial condition.

Our ability to meet our obligations under our indebtedness depends on our ability to receive dividends and distributions from our subsidiaries in the future. This, in turn, is subject to many factors, some of which are beyond our control, including the following:

- the continued operation and maintenance of our facilities, consistent with historical performance levels;
- maintenance or enhancement of revenue from renewals or replacement of existing contracts and from new contracts to expand existing facilities or operate additional facilities;
- market conditions affecting waste disposal and energy pricing, as well as competition from other companies for contract renewals, expansions and additional contracts, particularly after our existing contracts expire;
- the continued availability of the benefits of our net operating loss carryforwards; and
- general economic, financial, competitive, legislative, regulatory and other factors.

We cannot assure you that our business will generate cash flow from operations, or that future borrowings will be available to us under our credit facilities or otherwise, in an amount sufficient to enable us to meet our payment obligations under our outstanding indebtedness and to fund other liquidity needs. If we are not able to generate sufficient cash flow to service our debt obligations, we may need to refinance or restructure our debt, sell assets, reduce or delay capital investments, or seek to raise additional capital. If we are unable to implement one or more of these alternatives, we may not be able to meet our payment obligations under our outstanding indebtedness, which could have a material and adverse effect on our financial condition.

Our credit facilities and the indentures for our other corporate debt contain covenant restrictions that may limit our ability to operate our business.

Our credit facilities and the indentures for our other corporate debt contain operating and financial restrictions and covenants that impose operating and financial restrictions on us and require us to meet certain financial tests. Complying with these covenant restrictions may limit our ability to engage in certain transactions or activities, including incurring additional indebtedness, making certain investments, and distributions, and selling certain assets. As a result of these covenant restrictions, our ability to respond to changes in business and economic conditions and to obtain additional financing, if needed, may be restricted, and we may be prevented from engaging in transactions that might otherwise be beneficial to us.

Our ability to comply with these covenants is dependent on our future performance, which will be subject to many factors, some of which are beyond our control, including prevailing economic conditions. In addition, the failure to comply with these covenants may result in a default under our credit facilities and other corporate debt. Upon the occurrence of such an event of default, the lenders under our credit facilities could elect to declare all amounts outstanding under such credit facilities, together with accrued interest, to be immediately due and payable. If the lenders accelerate the payment of the indebtedness under our credit facilities, we cannot assure you that the assets securing such indebtedness would be sufficient to repay in full that indebtedness and our other indebtedness, which could have a material and adverse effect on our financial condition.

Development and construction of new projects and expansions may not commence as anticipated, or at all.

Development and construction involves many risks including:

- difficulties in identifying, obtaining and permitting suitable sites for new projects;
- the inaccuracy of our assumptions with respect to the cost of and schedule for completing construction;
- difficulty, delays or inability to obtain financing for a project on acceptable terms;
- delays in deliveries of, or increases in the prices of, equipment sourced from other countries;
- the unavailability of sufficient quantities of waste or other fuels for startup;
- permitting and other regulatory issues, license revocation and changes in legal requirements;
- labor disputes and work stoppages;
- unforeseen engineering and environmental problems;
- interruption of existing operations;

- unanticipated cost overruns or delays; and
- weather interferences and catastrophic events including fires, explosions, earthquakes, droughts, pandemics and acts of terrorism.

In addition, new facilities have no operating history and may employ recently developed technology and equipment. A new facility may be unable to fund principal and interest payments under its debt service obligations or may operate at a loss. In certain situations, if a facility fails to achieve commercial operation, at certain levels or at all, termination rights in the agreements governing the facilities financing may be triggered, rendering all of the facility's debt immediately due and payable. As a result, the facility may be rendered insolvent and we may lose our interest in the facility.

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Construction activities may cost more and take longer than we estimate.

The design and construction of new projects or expansions requires us to contract for services from engineering and construction firms, and make substantial purchases of equipment such as boilers, turbine generators and other components that require large quantities of steel to fabricate. These are complex projects that include many factors and conditions which may adversely affect our ability to successfully compete for new projects, or construct and complete such projects on time and within budget.

Changes in climate conditions could materially affect our business and prospects.

Significant changes in weather patterns and volatility could have a negative influence on our existing business and our prospects for growing our business. Such changes may cause episodic events (such as floods or storms) that are difficult to predict or prepare for, or longer-term trends (such as droughts or sea-level rise). These or other meteorological changes could lead to increased operating costs, capital expense, disruptions in facility operations or supply chains, changes in waste generation and interruptions in waste deliveries, limited availability of water for plant cooling operations, and changes in energy pricing, among other effects.

Dislocations in credit and capital markets and increased capital constraints on banks may make it more difficult for us to borrow money or raise capital needed to finance the construction of new projects, expand existing projects, acquire certain businesses and refinance our existing debt.

Our business is capital intensive, and we seek to finance a significant portion of our existing assets, as well as our investments in new assets, with debt capital to the extent that we believe such financing is prudent and accretive to stockholder value.

As of December 31, 2015, we had approximately $2.5 billion in long-term debt and project debt. Prolonged instability or deterioration in the bank credit and/or debt and equity capital markets may adversely affect our ability to obtain refinancing of our existing debt on favorable terms, or at all. Such circumstances could adversely affect our business, financial condition, and/or the share price of our common stock.

We intend to grow our business through the development of new projects, the expansion and/or enhancement of existing facilities, and opportunistic acquisitions of projects or businesses. Such investments may be large enough to require capital in excess of our cash on hand and availability under our existing credit facilities. Prolonged instability or deterioration in the credit markets may adversely impact our access to capital on terms that we find acceptable, thereby impacting our ability to execute our strategy to grow our business.

Our reputation could be adversely affected if we are unable to operate our businesses in compliance with laws, or if our efforts to grow our business results in adverse publicity.

If we encounter regulatory compliance issues in the course of operating our businesses, we may experience adverse publicity, which may intensify if such non-compliance results in civil or criminal liability. This adverse publicity may harm our reputation, and result in difficulties in attracting new customers, or retaining existing customers.

With respect to our efforts to grow and maintain our business globally, we sometimes experience opposition from advocacy groups or others intended to halt our development or on-going business. Such opposition is often intended to discourage third parties from doing business with us and may be based on misleading, inaccurate, incomplete or inflammatory assertions. Our reputation may be adversely affected as a result of adverse publicity resulting from such opposition. Such damage to our reputation could adversely affect our ability to grow and maintain our business.

Changes in technology may have a material adverse effect on our profitability.

Our company and others have recognized the value of the traditional waste stream as a potential resource. Research and development activities are ongoing to provide alternative and more efficient technologies to manage waste, produce or extract by-products from waste, or to produce power. We and many other companies are pursuing these technologies, and capital is being invested to find new approaches to waste management, waste treatment, and renewable power generation. It is possible that this deployment of capital may lead to advances in these or other technologies which will reduce the cost of waste management or power production to a level below our costs and/or provide new or alternative methods of waste management or energy generation that become more accepted than those we currently utilize. Unless we are able to participate in these advances, any of these changes could have a material adverse effect on our revenue, profitability and the value of our existing facilities.

Our ability to optimize our operations depends in part on our ability to compete for and obtain fuel for our facilities, and our failure to do so may adversely affect our financial results.

Our EfW facilities depend on solid waste for fuel, which provides a source of revenue. For some of our EfW facilities, the availability of solid waste to us, as well as the tipping fee that we charge to attract solid waste to our facilities, depends upon competition from a number of sources such as other EfW facilities, landfills and transfer stations competing for waste in the market area. In addition, we may need to obtain waste on a competitive basis as our long-term contracts expire at our owned facilities. There has been consolidation, and there may be further consolidation, in the solid waste industry that would reduce the number of solid waste collectors or haulers that are competing for disposal facilities or enable such collectors or haulers to use wholesale

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purchasing to negotiate favorable below-market rates. The consolidation in the solid waste industry has resulted in companies with vertically integrated collection activities and disposal facilities. Such consolidation may result in economies of scale for those companies, as well as the use of disposal capacity at facilities owned by such companies or by affiliated companies. Such activities can affect both the availability of waste to us for processing at some of our EfW facilities and market pricing, which could materially and adversely affect our results of operations.

Exposure to foreign currency fluctuations may affect our results from operations or construction costs of facilities we develop in international markets.

We have sought to participate in projects where the host country has allowed the convertibility of its currency into U.S. dollars and repatriation of earnings, capital and profits subject to compliance with local regulatory requirements. As and if we grow our business in other countries and enter new international markets, we expect to invest substantial amounts in foreign currencies to pay for the construction costs of facilities we develop, or for the cost to acquire existing businesses or assets. Currency volatility in those markets, as well as the effectiveness of any currency hedging strategies we may implement, may impact the amount we are required to invest in new projects, as well as our reported results.

Our growth could strain our resources and cause our business to suffer.

We have made and may continue to plan and execute acquisitions and take other actions to grow our base business. Acquisitions present significant challenges and risks relating to the integration of the business into the company. If we make acquisitions, it could place a strain on our management systems, infrastructure and resources, as well as present new or different risks to our business. We expect that we will need to continually evaluate and maintain our financial and managerial controls, reporting systems and procedures. We will also need to expand, train and manage our workforce worldwide. We can provide no assurances that the company will manage acquisitions successfully.

Our ability to successfully manage organizational, process and cost-efficiency initiatives could strain our resources and affect our profitability.

We have made and may continue to undertake organizational, process and cost efficiency changes intended to improve our business. These changes, which may include implementation of new systems and processes, staff adjustments and reassignments of responsibilities, are important to our business success. Failure or delay in implementing these actions, or ineffective implementation could strain our resources and systems, resulting in disruption to our business and/or adversely affecting our results.

Our businesses generate their revenue primarily under long-term contracts and must avoid defaults under those contracts in order to service their debt and avoid material liability to contract counterparties.

We must satisfy performance and other obligations under contracts governing EfW facilities. These contracts typically require us to meet certain performance criteria relating to amounts of waste processed, energy generation rates per ton of waste processed, residue quantity and environmental standards. Our failure to satisfy these criteria may subject us to termination of operating contracts. If such a termination were to occur, we would lose the cash flow related to the projects and incur material termination damage liability, which may be guaranteed by us. In circumstances where the contract has been terminated due to our default, we may not have sufficient sources of cash to pay such damages. We cannot assure you that we will be able to continue to perform our respective obligations under such contracts in order to avoid such contract terminations, or damages related to any such contract termination, or that if we could not avoid such terminations that we would have the cash resources to pay amounts that may then become due.

We have provided guarantees and financial support in connection with our projects.

We are obligated to guarantee or provide financial support for our projects in one or more of the following forms:

- support agreements in connection with construction, service or operating agreement-related obligations;
- direct guarantees of certain debt relating to our facilities;
- contingent obligations to pay lease payment installments in connection with certain of our facilities;
- agreements to arrange financing for projects under development;
- contingent credit support for damages arising from performance failures;
- environmental indemnities; and
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contingent capital and credit support to finance costs, in most cases in connection with a corresponding increase in service fees, relating to uncontrollable circumstances.

Many of these contingent obligations cannot readily be quantified, but, if we were required to provide this support, it could materially and adversely affect our cash flow, results of operations and financial condition.

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Our businesses depend on performance by third parties under contractual arrangements.

Our waste and energy services businesses depend on a limited number of third parties to, among other things, purchase the electric and steam energy produced by our facilities, supply and deliver the waste and other goods and services necessary for the operation of our energy facilities, and purchase the metals we recover. The viability of our facilities depends significantly upon the performance by third parties in accordance with long-term and short-term contracts, and such performance depends on factors which may be beyond our control. If those third parties do not perform their obligations, or are excused from performing their obligations because of nonperformance by our waste and energy services businesses or other parties to the contracts, or due to force majeure events or changes in laws or regulations, our businesses may not be able to secure alternate arrangements on substantially the same terms, or at all. In addition, the bankruptcy or financial stability of third parties with whom we do business could result in nonpayment or nonperformance of that party's obligations to us. The economic slowdown and disruptions in credit markets have strained resources of these third parties, and could make it difficult for them to honor their obligations to us.

We are subject to counterparty and market risk with respect to transactions with financial and other institutions.

Following the expiration of our initial contracts to sell electricity from our projects, we expect to have on a relative basis more exposure to market risk, and therefore revenue fluctuations, in energy markets than in waste markets. Consequently, we may enter into futures, forward contracts, swaps or options with financial institutions to hedge our exposure to market risk in energy markets. We can provide no assurances as to the financial stability or viability of these financial and other institutions.

Concentration of suppliers and customers may expose us to heightened financial exposure.

Our waste and energy services businesses often rely on single suppliers and single customers at our facilities, exposing such facilities to financial risks if any supplier or customer should fail to perform its obligations.

For example, our businesses often rely on a single supplier to provide waste, fuel, water and other services required to operate a facility and on a single customer or a few customers to purchase all or a significant portion of a facility's output. The financial performance of these facilities depends on such customers and suppliers continuing to perform their obligations under their long-term agreements. A facility's financial results could be materially and adversely affected if any one customer or supplier fails to fulfill its contractual obligations and we are unable to find other customers or suppliers to produce the same level of profitability. We cannot assure you that such performance failures by third parties will not occur, or that if they do occur, such failures will not adversely affect the cash flows or profitability of our businesses.

In addition, we rely on the municipal clients as a source not only of waste for fuel, but also of revenue from the fees for waste services we provide. Because our contracts with municipal clients are generally long-term, we may be adversely affected if the credit quality of one or more of our municipal clients were to decline materially.

Our waste operations are concentrated in one region and expose us to regional economic or market declines.

The majority of our waste disposal facilities are located in the northeastern United States, primarily along the Washington, D.C. to Boston, Massachusetts corridor. Adverse economic developments in this region could affect regional waste generation rates and demand for waste management services provided by us. Adverse market developments caused by additional waste processing capacity in this region could adversely affect waste disposal pricing. Either of these developments could have a material adverse effect on our profitability and cash generation.

Exposure to international economic and political factors may materially and adversely affect our international businesses.

Our international operations expose us to political, legal, tax, currency, inflation, convertibility and repatriation risks, as well as potential constraints on the development and operation of potential business, any of which can limit the benefits to us of an international project.

The financing, development and operation of projects outside the United States can entail significant political and financial risks, which vary by country, including:

- changes in law or regulations;
- changes in electricity pricing;
- changes in foreign tax laws and regulations;

- changes in United States federal, state and local laws, including tax laws, related to foreign operations;
- compliance with United States federal, state and local foreign corrupt practices laws;
- changes in government policies or personnel;
- changes in general economic conditions affecting each country, including conditions in financial markets;
- changes in labor relations in operations outside the United States;
- political, economic or military instability and civil unrest;
- expropriation and confiscation of assets and facilities; and
- credit quality of entities that purchase our power.

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The legal and financial environment in foreign countries in which we currently own assets or projects could also make it more difficult for us to enforce our rights under agreements relating to such projects.

Any or all of the risks identified above with respect to our international projects could adversely affect our profitability and cash generation. As a result, these risks may have a material adverse effect on our business, consolidated financial condition and results of operations.

Our reputation could be adversely affected if our businesses, or third parties with whom we have a relationship, were to fail to comply with United States or foreign anti-corruption laws or regulations.

Some of our projects and new business may be conducted in countries where corruption has historically penetrated the economy to a greater extent than in the United States. It is our policy to comply, and to require our local partners and those with whom we do business to comply, with all applicable anti-bribery laws, such as the U.S. Foreign Corrupt Practices Act, and with applicable local laws of the foreign countries in which we operate. Our reputation may be adversely affected if we were reported to be associated with corrupt practices or if we or our local partners failed to comply with such laws. Such damage to our reputation could adversely affect our ability to grow our business.

Energy regulation could adversely affect our revenue and costs of operations.

Our waste and energy services businesses are subject to extensive energy regulations by federal, state and foreign authorities. We cannot predict whether the federal, state or foreign governments will modify or adopt new legislation or regulations relating to the solid waste or energy industries. The economics, including the costs, of operating our facilities may be adversely affected by any changes in these regulations or in their interpretation or implementation or any future inability to comply with existing or future regulations or requirements.

If our businesses lose existing exemptions under the Federal Power Act, the economics and operations of our energy projects could be adversely affected, including as a result of rate regulation by the Federal Energy Regulatory Commission with respect to our output of electricity, which could result in lower prices for sales of electricity and increased compliance costs. In addition, depending on the terms of the project's power purchase agreement, a loss of our exemptions could allow the power purchaser to cease taking and paying for electricity under existing contracts. Such results could cause the loss of some or all contract revenue or otherwise impair the value of a project and could trigger defaults under provisions of the applicable project contracts and financing agreements. Defaults under such financing agreements could render the underlying debt immediately due and payable. Under such circumstances, we cannot assure you that revenue received, the costs incurred, or both, in connection with the project could be recovered through sales to other purchasers.

Failure to obtain regulatory approvals could adversely affect our operations.

Our waste and energy services businesses are continually in the process of obtaining or renewing federal, state, local and foreign approvals required to operate our facilities. While we believe our businesses currently have all necessary operating approvals, we may not always be able to obtain all required regulatory approvals, and we may not be able to obtain any necessary modifications to existing regulatory approvals or maintain all required regulatory approvals. If there is a delay in obtaining any required regulatory approvals or if we fail to obtain and comply with any required regulatory approvals, the operation of our facilities or the sale of electricity to third parties could be prevented, made subject to additional regulation or subject our businesses to additional costs or a decrease in revenue.

The energy industry is becoming increasingly competitive, and we might not successfully respond to these changes.

We may not be able to respond in a timely or effective manner to the changes resulting in increased competition in the energy industry in global markets. These changes may include deregulation of the electric utility industry in some markets, privatization of the electric utility industry in other markets and increasing competition in all markets. To the extent competitive pressures increase and the pricing and sale of electricity assumes more characteristics of a commodity business, the economics of our business may be subject to greater volatility and we might not successfully respond to these changes.

Future impairment charges could have a material adverse impact on our financial condition and results of operations.

In accordance with accounting guidance, we evaluate long-lived assets for impairment whenever events or changes in circumstances, such as significant adverse changes in regulation, business climate or market conditions, could potentially indicate the carrying amount may not be recoverable. Significant reductions in our expected revenue or

cash flows for an extended period of time resulting from such events could result in future asset impairment charges, which could have a material adverse impact on our financial condition and results of operations.

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Security breaches and other disruptions to our information technology infrastructure could interfere with our operations, compromise information belonging to us and our customers, suppliers or employees, and expose us to liability that could adversely impact our business and reputation.

In the ordinary course of business, we rely on information technology networks and systems to process, transmit and store electronic information, and to manage or support a variety of business processes and activities. Despite security measures and business continuity plans, interruptions and breaches of computer and communications systems, including computer viruses, "hacking" and "cyber-attacks," power outages, telecommunication or utility facilities, system failures, natural disasters or other catastrophic events that could impair our ability to conduct business and communicate internally and with our customers, or result in the theft of trade secrets or other misappropriation of assets, or otherwise compromise privacy of sensitive information belonging to us, our customers or other business partners. Any such events could result in legal claims or proceedings, liability or penalties under privacy laws, disruption in operations, and damage to our reputation, which could adversely affect our business.

We cannot be certain that our NOLs will continue to be available to offset our federal tax liability.

As of December 31, 2015, we had $309 million of net operating loss carryforwards (“NOLs”). NOLs offset our consolidated taxable income and will expire in various amounts, if not used, between 2028 and 2033. The NOLs are also used to offset income from certain grantor trusts that were established as part of the reorganization in 1990 of certain of our subsidiaries engaged in the insurance business and are administered by state regulatory agencies. As the administration of these grantor trusts concludes, taxable income could result, utilizing a portion of our NOLs and accelerating the date on which we may be otherwise obligated to pay incremental cash taxes.

Our insurance and contractual protections may not always cover lost revenue, increased expense or contractual liabilities.

Although our businesses maintain insurance, obtain warranties from vendors, require contractors to meet certain performance levels and, in some cases, pass risks we cannot control to the service recipient or output purchaser, the proceeds of such insurance, warranties, performance guarantees or risk sharing arrangements may not be adequate to cover lost revenue, increased expense or contractual liabilities.

We depend on our senior management and key personnel and we may have difficulty attracting and retaining qualified professionals.

Our future operating results depend to a large extent upon the continued contributions of key senior managers and personnel. In addition, we are dependent on our ability to attract, train, retain and motivate highly skilled employees. However, there is significant competition for employees with the requisite level of experience and qualifications. If we cannot attract, train, retain and motivate qualified personnel, we may be unable to compete effectively and our growth may be limited, which could have a material adverse effect on our business, results of operations, financial condition and prospects and our ability to fulfill our debt obligations.

Our controls and procedures may not prevent or detect all errors or acts of fraud.

Any disclosure controls and procedures or internal controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must consider the benefits of controls relative to their costs. Inherent limitations within a control system include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by an unauthorized override of the controls. While the design of any system of controls is to provide reasonable assurance of the effectiveness of disclosure controls, such design is also based in part upon certain assumptions about the likelihood of future events, and such assumptions, while reasonable, may not take into account all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and may not be prevented or detected.

Failure to maintain an effective system of internal controls over financial reporting may have an adverse effect on our stock price.

We have in the past discovered, and may potentially in the future discover, areas of internal control over financial reporting that may require improvement. If we are unable to assert that our internal control over financial reporting is effective now or in any future period, or if our independent auditors are unable to express an opinion on the effectiveness of our internal controls, we could lose investor confidence in the accuracy and completeness of our financial reports, which could have an adverse effect on our stock price.

Provisions of our certificate of incorporation, our credit facilities and our other corporate debt could discourage an acquisition of us by a third party.

Certain provisions of our credit facilities and our other corporate debt could make it more difficult or more expensive for a third party to acquire us. Upon the occurrence of certain transactions constituting a fundamental change, holders of our credit facilities

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and our other corporate debt will have the right to require Covanta Holding or Covanta Energy, as the case may be, to repurchase their corporate debt or repay the facilities, as applicable. In addition, provisions of our restated certificate of incorporation and amended and restated bylaws, each as amended, could make it more difficult for a third party to acquire control of us. For example, our restated certificate of incorporation authorizes our board of directors to issue preferred stock without requiring any stockholder approval, and preferred stock could be issued as a defensive measure in response to a takeover proposal. All these provisions could make it more difficult for a third party to acquire us or discourage a third party from acquiring us even if an acquisition might be in the best interest of our stockholders.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

We lease approximately 250,000 square feet of office space throughout North America, including 104,000 square feet for our headquarters in Morristown, New Jersey. In addition, we own 83 acres of undeveloped land in California. As of December 31, 2015, we owned, had equity investments in and/or operated 85 projects in the North America segment consisting of 41 EfW operations, 4 landfills (primarily for ash disposal), 18 transfer stations, 12 environmental services facilities, 7 wood waste (biomass) energy projects, 2 water (hydroelectric) energy projects and one regional metals recycling facility. Principal projects are described above under Item 1. Business — North America Segment. Projects in the North America segment that we own or lease are conducted at properties, which we also own or lease, aggregating approximately 1,817 acres, of which 1,455 acres are owned and 362 acres are leased.

We operate projects outside of our North America segment and have offices located in Dublin, Ireland and Shanghai, China, where we lease office space of approximately 6,180 square feet. As of December 31, 2015, we are the part owner/operator of five international projects with businesses conducted at properties that are either leased or have land rights aggregating to 79 acres. Principal projects are described above under Item 1. Business — Other Projects.

Item 3. LEGAL PROCEEDINGS

For information regarding legal proceedings, see Item 8. Financial Statements And Supplementary Data — Note 18. Commitments and Contingencies, which information is incorporated herein by reference.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II

Item 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is traded on the New York Stock Exchange under the symbol “CVA”. On February 12, 2016, there were approximately 826 holders of record of our common stock. On February 12, 2016, the closing price of our common stock on the New York Stock Exchange was $12.79 per share. The following table sets forth the high and low stock prices of our common stock for the last two years.

	2015			2014		
	High	Low	Dividend Declared	High	Low	Dividend Declared
First Quarter	$23.04	$19.25	$0.25	$18.78	$16.42	$0.18
Second Quarter	$22.85	$19.99	$0.25	$21.00	$17.36	$0.18
Third Quarter	$21.80	$17.08	$0.25	$21.73	$20.23	$0.25
Fourth Quarter	$18.36	$13.69	$0.25	$25.35	$20.56	$0.25

Under current financing arrangements, there are restrictions on the ability of our subsidiaries to transfer funds to us in the form of cash dividends, loans or advances that could limit the future payment of dividends on our common stock. However, given our strong cash generation, we anticipate returning additional capital to our shareholders. See Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources and Item 8. Financial Statements and Supplementary Data — Note 5. Equity and Earnings Per Share for additional information on the restrictions under our financing arrangements and our dividend payments. See Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters regarding securities authorized for issuance under equity compensation plans.

Share Repurchases

Under our share repurchase program, common stock repurchases may be made in the open market, in privately negotiated transactions from time to time, or by other available methods, at management’s discretion in accordance with applicable federal securities laws. The timing and amounts of any repurchases will depend on many factors, including our capital structure, the market price of our common stock and overall market conditions, and whether any restrictions then exist under our policies relating to trading in compliance with securities laws. As detailed in the table below, during the quarter ended December 31, 2015, we repurchased shares of our common stock totaling $32 million. As of December 31, 2015, the amount remaining under our currently authorized share repurchase program was $84 million.

The following table provides information as of December 31, 2015 with respect to shares of common stock we repurchased during the fourth quarter of 2015:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased	Average Price Paid Per Share [(a)]	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program
	(in millions, except per share amounts)			
October 1 - October 31	—	$ —	—	$ 116
November 1 - November 30	1.1	$ 15.56	1.1	$ 99
December 1 - December 31	1.0	$ 15.08	1.0	$ 84
Total:	2.1	$ 15.33	2.1	

(a) This amount represents the weighted average price paid per common share. This price includes a per share commission paid for all repurchases.

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Performance Measurement Comparison

The following performance graph sets forth a comparison of the yearly percentage change in the Company's cumulative total stockholder return on common stock with the Standard and Poor's Midcap 400 Index*, the Dow Jones US Conventional Electricity Index**, and the Dow Jones US Waste & Disposal Services Index**. The foregoing cumulative total returns are computed assuming (a) an initial investment of $100, and (b) the reinvestment of dividends at the frequency which dividends were paid during the applicable years. The graph above reflects comparative information for the five fiscal years beginning with the close of trading on December 31, 2010 and ending December 31, 2015.

The stockholder return reflected above is not necessarily indicative of future performance.

* The Standard and Poor's Midcap 400 Index is a capitalization-weighted index designed to measure performance of the broad domestic economy through changes in the aggregate market value of the component stocks representing all major industries. Copyright 2016 Standard and Poor's, Inc. All Rights Reserved. Used with permission.

** The Dow Jones US Waste & Disposal Services Index and the Dow Jones US Conventional Electricity Index are maintained by Dow Jones & Company, Inc. As described by Dow Jones, the Dow Jones US Waste & Services Index consists of providers of pollution control and environmental services for the management, recovery and disposal of solid and hazardous waste materials, such as landfills and recycling centers. The Dow Jones US Conventional Electricity Index consists of companies generating and distributing electricity through the burning of fossil fuels such as coal, petroleum and natural gas, and through nuclear energy. Copyright 2016 Dow Jones & Company. All Rights Reserved. Used with permission.

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Item 6. SELECTED FINANCIAL DATA

The selected financial information presented below should be read in conjunction with Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and Item 8. Financial Statements and Supplementary Data.

	For the Years Ended December 31,				
	2015	2014	2013	2012	2011
	(In millions, except per share amounts)				
Statements of Operations Data:					
Operating revenue	$1,645	$1,682	$1,630	$1,643	$1,650
Operating expense	$1,545	$1,538	$1,408	$1,366	$1,409
Operating income	$100	$144	$222	$277	$241
Income (loss) from continuing operations	$69	$(1)	$42	$138	$98
(Loss) income from discontinued operations, net of taxes	$—	$—	$(52)	$(20)	$129
Net income (loss)	$69	$(1)	$(10)	$118	$227
Net income (loss) attributable to Covanta Holding Corporation stockholders:					
Continuing operations	$68	$(2)	$43	$136	$93
Discontinued operations	$—	$—	$(52)	$(20)	$126
Basic Earnings (Loss) per share attributable to Covanta Holding Corporation:					
Continuing operations	$0.52	$(0.01)	$0.33	$1.03	$0.66
Discontinued operations	—	—	(0.40)	(0.15)	0.89
Covanta Holding Corporation	$0.52	$(0.01)	$(0.07)	$0.88	$1.55
Diluted Earnings (Loss) per share attributable to Covanta Holding Corporation:					
Continuing operations	$0.51	$(0.01)	$0.33	$1.02	$0.66
Discontinued operations	—	—	(0.40)	(0.15)	0.88
Covanta Holding Corporation	$0.51	$(0.01)	$(0.07)	$0.87	$1.54
Cash dividend declared per share	$1.00	$0.86	$0.66	$0.60	$0.30
Weighted average common shares outstanding:					
Basic	132	130	129	132	141
Diluted	133	130	130	133	142
	As of December 31,				
	2015	2014	2013	2012	2011
	(In millions, except per share amounts)				
Balance Sheet Data: [1]					
Cash and cash equivalents	$94	$84	$190	$233	$217
Property, plant and equipment, net	$2,690	$2,607	$2,579	$2,509	$2,369
Total assets	$4,259	$4,206	$4,381	$4,529	$4,387

Long-term debt (incl. current portion)	$2,285	$1,973	$2,085	$2,015	$1,486
Project debt (incl. current portion)	$201	$225	$213	$294	$655
Total liabilities	$3,619	$3,422	$3,475	$3,480	$3,307
Total Covanta Holding Corporation stockholders equity	$638	$782	$902	$1,042	$1,075

(1) As revised for the years ended December 31, 2014 and prior. See Item 8. Financial Statements and Supplementary Data - Note 4. Dispositions, Assets Held for Sale, and Discontinued Operations.

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Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The terms "we," "our," "ours," "us," "Covanta" and "Company" refer to Covanta Holding Corporation and its subsidiaries; the term "Covanta Energy" refers to our subsidiary Covanta Energy, LLC and its subsidiaries.

OVERVIEW

Covanta is one of the world's largest owners and operators of infrastructure for the conversion of waste to energy (known as "energy-from-waste" or "EfW"), as well as other waste disposal and renewable energy production businesses. Energy-from-waste serves two key markets as both a sustainable waste management solution that is environmentally superior to landfilling and as a source of clean energy that reduces overall greenhouse gas ("GHG") emissions. Energy-from-waste is also considered renewable under the laws of many states and under federal law. Our facilities are critical infrastructure assets that allow our customers, which are principally municipal entities, to provide an essential public service. For a discussion of our facilities, the energy-from-waste process and the environmental benefits of energy-from-waste, see Item 1. Business.

We have one reportable segment, North America, which is comprised of waste and energy services operations located primarily in the United States and Canada. Additional information about our reportable segment is contained in Item. 1. Business and Item 8. Financial Statements And Supplementary Data — Note 6. Financial Information by Business Segments.

For a discussion of key strategies and the execution thereof in 2015, see Item 1. Business — Strategy and Execution on Strategy.

General Business Conditions

See Item 1. Business — Markets, Competition and Business Conditions for a discussion of factors affecting business conditions and financial results.

RESULTS OF OPERATIONS

The following general discussions should be read in conjunction with the consolidated financial statements, the notes to the consolidated financial statements and other financial information appearing and referred to elsewhere in this report. Additional detail relating to changes in operating revenue and operating expense and the quantification of specific factors affecting or causing such changes, is provided in the segment discussion below.

During the fourth quarter of 2013, assets related to our development activities in the United Kingdom met the criteria for classification as Discontinued Operations and as such all prior periods have been reclassified to conform to this presentation. See Item 8. Financial Statements And Supplementary Data — Note 4. Dispositions, Assets Held for Sale and Discontinued Operations for additional information.

The comparability of the information provided below with respect to our revenue, expense and certain other items for periods during each of the years presented was affected by several factors. As outlined in Item 8. Financial Statements And Supplementary Data — Note 1. Organization and Summary of Significant Accounting Policies and Note 3. New Business and Asset Management, our business development initiatives and acquisitions resulted in various transactions, which are reflected in comparative revenue and expense. These factors must be taken into account in developing meaningful comparisons between the periods compared below.

The Results of Operations discussion below compares our revenue, expense and certain other items during each of the years presented for continuing operations.

The following terms used within the Results of Operations discussion are defined as follows:

- "Same store": reflects the performance at each facility on a comparable period-over-period basis, excluding the impacts of transitions and transactions.
- Contract "transitions": includes the impact of the expiration of: (a) long-term major waste and service contracts, most typically representing the transition to a new contract structure, and (b) long-term energy contracts.
- "Transactions": includes the impacts of acquisitions, divestitures, and the addition or loss of operating contracts.

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RESULTS OF OPERATIONS — OPERATING INCOME

Year Ended December 31, 2015 vs. Year Ended December 31, 2014

	Consolidated		North America		Variance Increase (Decrease)	
	2015	2014	2015	2014	Consolidated	North America
	(In millions)					
OPERATING REVENUE:						
Waste and service revenue	$1,104	$1,032	$1,102	$1,030	$72	$72
Recycled metals revenue	61	93	61	93	(32)	(32)
Energy revenue	421	460	385	423	(39)	(38)
Other operating revenue	59	97	59	95	(38)	(36)
Total operating revenue	1,645	1,682	1,607	1,641	(37)	(34)
OPERATING EXPENSE:						
Plant operating expense	1,129	1,055	1,097	1,023	74	74
Other operating expense	73	101	74	98	(28)	(24)
General and administrative expense	93	97	88	94	(4)	(6)
Depreciation and amortization expense	198	211	197	208	(13)	(11)
Net interest expense on project debt	9	10	7	9	(1)	(2)
Net write-offs	43	64	43	50	(21)	(7)
Total operating expense	1,545	1,538	1,506	1,482	7	24
Operating income	$100	$144	$101	$159	$(44)	$(58)

Operating Revenue

Waste and Service Revenue

Waste and service revenue increased by $72 million on both a consolidated and North America segment basis.

Waste and service revenue from EfW operations decreased by $8 million year-over-year, impacted by the following:

- same store revenue increased by $13 million, or 1.4%, primarily driven by $11 million in price improvement;
- contract transitions decreased revenue by $26 million, of which $8 million related to lower revenue earned explicitly to service project debt; and
- transactions increased revenue by $3 million.

Waste and service revenue from non-EfW operations increased by $80 million primarily due to the start-up of the New York City MTS contract and contribution from newly acquired environmental services businesses.

Consolidated (in millions):	For the Years Ended December 31,		
	2015	2014	Variance
Waste and service revenue unrelated to project debt	$1,090	$1,010	$80
Revenue earned explicitly to service project debt - principal	10	19	(9)
Revenue earned explicitly to service project debt - interest	4	3	1
Total waste and service revenue	$1,104	$1,032	72

North America Segment - EfW Facilities - Tons Received [1] (in millions):	For the Years Ended December 31,		
	2015	2014	Variance
Contracted	17.2	16.0	1.2
Uncontracted	2.2	2.7	(0.5)
Total Tons	19.4	18.7	0.7

(1) Includes solid tons only.

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Recycled Metal Revenue

For the twelve month comparative period, recycled metals revenue on both a consolidated and North America segment basis decreased by $32 million, driven principally by a decline in recycled metal market pricing.

Recycled Metal Revenue (in millions):	For the Quarters Ended	
	2015	2014
March 31,	$16	$21
June 30,	17	25
September 30,	16	26
December 31,	12	21
Total for the year ended December 31,	$61	$93

	Year Ended December 31,			
	Metal Revenue by Type (in millions)		Tons Sold by Type (in thousands) [1]	
	2015	2014	2015	2014
Ferrous Metal	$38	$65	330	340
Non-Ferrous Metal	23	28	32	30
Total	$61	$93		

(1) Represents the portion of total volume sold that is equivalent to Covanta's share of revenue under applicable client revenue sharing arrangements.

Energy Revenue

For the twelve month comparative period, energy revenue on a consolidated basis decreased by $39 million.

Energy revenue from North America segment EfW operations decreased by $11 million year-over-year, driven by the following:

- same store revenue decreased by $25 million, primarily driven by lower energy pricing;
- contract transitions, primarily related to conversions from service fee to tip fee contract structures that increased revenue sharing, increased revenue by $12 million; and
- transactions contributed $3 million.

Energy revenue from non-EfW operations decreased by $28 million, primarily driven by a decrease in biomass revenue of $26 million resulting from lower market pricing and economically dispatching a facility.

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North America Segment - Energy Revenue and MWh by Contract Status and Facility Type (in millions):

	Year Ended December 31,									
	2015			2014				Variance		
	Revenue [1]	Volume [1], [2]	% of Total Volume	Revenue [1]	Volume [1], [2]	% of Total Volume		Revenue	Volume	
EfW										
At Market	$46	1.4	22 %	$52	1.1	17 %				
Contracted	238	3.0	48 %	247	3.2	51 %				
Hedged	62	1.4	22 %	59	1.4	21 %				
Total EfW	$346	5.8	92 %	$358	5.6	89 %		$(12)	0.2	
Biomass										
At Market	$9	0.2	4 %	$24	0.4	6 %				
Contracted	28	0.3	4 %	41	0.3	5 %				
Hedged	2	—	— %	—	—	— %				
Total Biomass	39	0.5	8 %	65	0.7	11 %		$(26)	(0.2)	
Total	$385	6.3	100 %	$423	6.3	100 %		$(38)	—	

(1) Covanta share only. Represents the sale of electricity and steam based upon output delivered and capacity provided.

(2) Steam converted to MWh at an assumed average rate of 11 klbs of steam / MWh.

Other Operating Revenue

The decrease of $38 million on a consolidated basis in other operating revenue for the twelve month comparative period was primarily due to lower construction revenue.

Operating Expense

Plant Operating Expense

For the twelve month comparative period, plant operating expense on both a consolidated and North America segment basis increased by $74 million.

Plant operating expense from EfW operations increased by $41 million year-over-year, primarily impacted by the following:

- plant maintenance increased by $29 million, driven by an increase of $31 million due to the adoption of the service concession arrangement accounting guidance and increased expenses related to transactions partially offset by lower same store costs; and
- other plant operating expense increased by $12 million, driven by higher same store costs and the impact of contract transitions.

Plant operating expense from non-EfW operations in our North America segment increased by $33 million primarily related to newly acquired environmental services businesses ($31 million), the start-up of the New York City MTS contract ($23 million), additional costs related to transfer stations ($9 million), and increased hauling and transportation costs related to our metals operations ($7 million), partially offset by lower incentive compensation ($26 million) and economically dispatching a biomass facility ($16 million).

North America Segment (in millions):	For the Years Ended December 31,		
	2015	2014	Variance
Plant Operating Expense:			
Plant maintenance [1]	$269	$244	$25
All other	828	779	49
Plant operating expense	$1,097	$1,023	74

(1)

Plant maintenance costs include our internal maintenance team and non-facility employee costs for facility scheduled and unscheduled maintenance and repair expense.

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Other Operating Expense

Other operating expense in our North America segment decreased by $24 million primarily due to lower construction expense. On a consolidated basis, other operating expense further decreased due to the sale of our insurance business at the end of 2014.

For additional information, see Item 8. Financial Statements And Supplementary Data - Note 14. Supplementary Information - Other Operating Expense.

Net Write-offs

During the year ended December 31, 2015, we recorded non-cash write-offs totaling $43 million related to our biomass facilities. During the year ended December 31, 2014, we recorded non-cash write-offs totaling $64 million consisting of $14 million related to the sale of our insurance business, a $34 million impairment charge related to our California biomass facility assets, and write-offs of contract intangibles of $16 million. For additional information, see Item 8. Financial Statements And Supplementary Data — Note 14. Supplementary Information — Net Write-offs.

RESULTS OF OPERATIONS — OPERATING INCOME

Year Ended December 31, 2014 vs. Year Ended December 31, 2013

	Consolidated		North America		Variance Increase (Decrease)	
	2014	2013	2014	2013	Consolidated	North America
	(In millions)					
OPERATING REVENUE:						
Waste and service revenue	$1,032	$1,008	$1,030	$1,006	$24	$24
Recycled metals revenue	93	73	93	73	20	20
Energy revenue	460	431	423	401	29	22
Other operating revenue	97	118	95	115	(21)	(20)
Total operating revenue	1,682	1,630	1,641	1,595	52	46
OPERATING EXPENSE:						
Plant operating expense	1,055	992	1,023	959	63	64
Other operating expense	101	97	98	92	4	6
General and administrative expense	97	82	94	80	15	14
Depreciation and amortization expense	211	209	208	207	2	1
Net interest expense on project debt	10	13	9	11	(3)	(2)
Net write-offs (gains)	64	15	50	15	49	35
Total operating expense	1,538	1,408	1,482	1,364	130	118
Operating income	$144	$222	$159	$231	$(78)	$(72)

Operating Revenue

Waste and Service Revenue

Waste and service revenue increased by $24 million on both a consolidated and North America segment basis.

Waste and service revenue from North America segment EfW operations increased by $5 million year-over-year, driven by the following:

- same store revenue increased by $14 million, or 1.5%, primarily driven by $11 million in price improvement, resulting from contract escalation and growth in higher-priced profiled waste, and $6 million in higher volume, offset by a decrease of $2 million in other revenue;
- contract transitions reduced revenue by $17 million, of which $13 million related to revenue earned explicitly to service project debt; and
- transactions increased revenue by $7 million.

Waste and service revenue from non-EfW operations in the North America segment increased by $18 million, primarily due to transfer stations acquired in the fourth quarter of 2013.

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Consolidated (in millions):	For the Years Ended December 31,		
	2014	2013	Variance
Waste and service revenue unrelated to project debt	$1,010	$973	$37
Revenue earned explicitly to service project debt - principal	19	30	(11)
Revenue earned explicitly to service project debt - interest	3	5	(2)
Total waste and service revenue	$1,032	$1,008	24

North America Segment - EfW Facilities - Tons Received [1] (in millions):	For the Years Ended December 31,		
	2014	2013	Variance
Contracted	16.0	15.0	1.0
Uncontracted	2.7	3.5	(0.8)
Total Tons	18.7	18.5	0.2

(1) Includes solid tons only.

Recycled Metal Revenue

For the twelve month comparative period, recycled metal revenue on both a consolidated and North America segment basis increased by $20 million. This increase was almost entirely driven by higher same store revenue in North America segment EfW operations as follows:

- $13 million from higher volume of recovered metals, primarily as a result of improvements to existing recovery systems and installation of new recovery systems; and
- $5 million from higher recycled metal pricing, due to both higher market prices and selling product at a higher percentage of underlying market indices.

Revenue from non-EfW operations increased by $3 million.

Recycled Metal Revenue (in millions):	For the Quarters Ended	
	2014	2013
March 31,	$21	$16
June 30,	25	17
September 30,	26	19
December 31,	21	21
Total for the Year Ended December 31,	$93	$73

	Year Ended December 31,			
	Metal Revenue by Type (in millions)		Tons Sold by Type (in thousands) [1]	
	2014	2013	2014	2013
Ferrous Metal	$65	$56	340	311
Non-Ferrous Metal	28	17	30	20
Total	$93	$73		

(1) Represents the portion of total volume sold that is equivalent to Covanta's share of revenue under applicable client revenue sharing arrangements.

Energy Revenue

For the twelve month comparative period, energy revenue on a consolidated basis increased by $29 million.

Energy revenue from North America segment EfW operations increased by $19 million year-over-year, driven by the following:

- same store revenue increased by $18 million, driven by $11 million in higher energy pricing, primarily resulting from cold weather energy demands in the first quarter, and $7 million in higher energy production;
- service fee contract transitions increased revenue by $3 million due to reduced client revenue sharing;

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- energy contract transitions to market prices reduced revenue by $4 million; and
- transactions increased revenue by $4 million.

All other energy revenue (non-EfW operations) increased by $10 million on a consolidated basis, driven by a $2 million increase in revenue from biomass operations due to higher energy prices and $8 million in higher steam revenue from a facility in China.

North America Segment - Energy Revenue and MWh by Contract Status and Facility Type (in millions):

	Year Ended December 31,									
	2014			2013				Variance	
North America segment:	Revenue[1]	Volume[1],[2]	% of Total Volume	Revenue[1]	Volume[1],[2]	% of Total Volume		Revenue	Volume
EfW									
At Market	$52	1.1	17 %	$39	1.0	16 %			
Contracted	247	3.2	51 %	268	3.6	59 %			
Hedged	59	1.4	21 %	31	0.8	13 %			
Total EfW	$358	5.6	89 %	$338	5.3	88 %		$20	0.3
Biomass									
At Market	$24	0.4	6 %	$18	0.4	6 %			
Contracted	41	0.3	5 %	45	0.3	6 %			
Total Biomass	$65	0.7	11 %	$63	0.7	12 %		$2	—
Total	$423	6.3	100 %	$401	6.0	100 %		$22	0.3

(1) Covanta share only. Represents the sale of electricity and steam based upon output delivered and capacity provided.

(2) Steam converted to MWh at an assumed average rate of 11 klbs of steam / MWh.

Other Operating Revenue

The decrease of $21 million in other operating revenue for the twelve month comparative period was primarily due to lower construction revenue.

Operating Expense

Plant Operating Expense

For the twelve month comparative period, plant operating expense on a consolidated and North America segment basis increased by $63 million and $64 million, respectively.

Plant operating expense from North America segment EfW operations increased $23 million year-over-year, driven by the following:

- same store plant operating expense increased by $11 million, impacted by higher fuel expense incurred primarily as a result of cold weather in the first quarter of 2014, insurance recoveries in Q2 2013, higher hauling and disposal costs, and increased bad debt reserves, partially offset by lower operating lease expense;
- contract transitions increased plant operating expense by $1 million due to reduced client pass-through costs; and
- transactions increased plant operating expense by $11 million.

Plant operating expense from non-EfW operations in our North America segment increased by $41 million, with additional expense from transfer stations acquired in the fourth quarter of 2013, higher wood fuel cost at our biomass facilities, higher employee incentive compensation, and other expense related to increased revenue as noted above, partially offset by the benefit of higher renewable energy credits which are accounted for as a contra-expense.

Plant operating expense outside of the North America segment decreased by $1 million due to lower wages and benefits at a facility in China.

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North America Segment (in millions):	For the Years Ended December 31,		
	2014	2013	Variance
Plant Operating Expense:			
Plant maintenance [1]	$244	$232	$12
All other	779	727	52
Plant operating expense	$1,023	$959	64

(1) Plant maintenance costs include our internal maintenance team and non-facility employee costs for facility scheduled and unscheduled maintenance and repair expense.

Other Operating Expense

Other operating expense in our North America segment increased by $6 million for the twelve month comparative period with lower construction expense ($14 million) offset by a gain related to the termination of our defined benefit pension plans in the first quarter of 2013 ($6 million), an energy contract termination payment in the second quarter of 2013 ($8 million), lower insurance recoveries in 2014 ($2 million), a gain related to a contract amendment in the third quarter of 2013 ($3 million) and other items in Q4 2013 ($2 million).

Net Write-offs

During the year ended December 31, 2014, we recorded non-cash write-offs totaling $64 million consisting of $14 million related to the sale of our insurance business, a $34 million impairment charge related to our California biomass facility assets, and write-offs of contract intangibles of $16 million. For additional information, see Item 1. Financial Statements — Note 14. Supplementary Information — Net Write-offs.

During the year ended December 31, 2013, we recorded non-cash write-offs in our North America segment totaling $15 million, consisting of $4 million against our outstanding loan receivable balance related to the Harrisburg EfW facility, a $9 million impairment of our Wallingford EfW facility assets, and a $2 million impairment of our 55% equity investment in the Pacific Ultrapower Chinese Station biomass facility, which we subsequently sold in the fourth quarter of 2013. For additional information, see Item 8. Financial Statements And Supplementary Data — Note 14. Supplementary Information — Net Write-offs.

CONSOLIDATED RESULTS OF OPERATIONS — NON-OPERATING INCOME ITEMS

Years Ended December 31, 2015, 2014, and 2013

Other Expense:

	For the Years Ended December 31,			Variance Increase (Decrease)	
	2015	2014	2013	2015 vs 2014	2014 vs 2013
	(In millions)				
CONSOLIDATED RESULTS OF OPERATIONS:					
Investment income	$—	$(1)	$—	$1	$ (1)
Interest expense	125	125	118	—	7
Non-cash convertible debt related expense	—	13	28	(13)	(15)
Loss on extinguishment of debt	2	2	1	—	1
Other expense (income), net	1	1	(4)	—	5
Total other expense	$128	$140	$143	(12)	(3)

Non-cash convertible debt related expense decreased for the year ended December 31, 2015 compared to the year ended December 31, 2014, due to the maturity of the 3.25% Cash Convertible Senior Notes in June 2014.

Interest expense increased for the year ended December 31, 2014 compared to the year ended December 31, 2013, primarily due to higher interest expense related to the 5.875% Senior Notes, which were issued in March 2014, as compared to the 3.25% Cash Convertible Senior Notes, which matured in June 2014, partially offset by lower interest expense related to our Term Loan. Non-cash convertible debt related expense decreased for the year ended December 31, 2014 compared to the year ended December 31, 2013 due to the maturity of the 3.25% Cash Convertible Senior

Notes in June 2014.
Loss on extinguishment of debt comprised of the write-off of deferred financing costs in connection with previously existing financing arrangements. See Liquidity and Capital Resources below.
For the year ended 2013, other expense (income) included a $4 million gain related to a distribution received from an insurance subsidiary grantor trust.

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Income Tax Expense:

	For the Years Ended December 31,			Variance Increase (Decrease)	
	2015	2014	2013	2015 vs 2014	2014 vs 2013
	(In millions, except percentages)				
CONSOLIDATED RESULTS OF OPERATIONS:					
Income tax (benefit) expense	$(84)	$15	$43	$(99)	$ (28)
Effective income tax rate	302%	388%	55%		

The 2015 and 2014 rates were principally driven by relatively low pre-tax income (loss). The decrease in effective tax rate for the year ended December 31, 2015, compared to the year ended December 31, 2014 is primarily due to the recognition of tax benefit due to the resolution of the IRS audit and non-recurring adjustments from the prior year. The increase in the effective tax rate for the year ended December 31, 2014, compared to the year ended December 31, 2013 was primarily due to the combined effects of (i) the recognition of certain tax liabilities for previous years, and (ii) relatively low pre-tax income for the year ended December 31, 2014.

Net Income (Loss) Attributable to Covanta Holding Corporation and Earnings Per Share:

	For the Years Ended December 31,			Variance Increase (Decrease)	
	2015	2014	2013	2015 vs 2014	2014 vs 2013
	(In millions, except per share amounts)				
CONSOLIDATED RESULTS OF OPERATIONS:					
Net Income (Loss) Attributable to Covanta Holding Corporation Stockholders:					
Continuing operations	$68	$(2)	$43	$70	$ (45)
Discontinued operations [1]	—	—	(52)	—	52
Covanta Holding Corporation	$68	$(2)	$(9)	70	7
Earnings (Loss) Per Share Attributable to Covanta Holding Corporation stockholders:					
Basic:					
Continuing operations	$0.52	$(0.01)	$0.33	0.53	(0.34)
Discontinued operations	—	—	(0.40)	—	0.40
Covanta Holding Corporation	$0.52	$(0.01)	$(0.07)	0.53	0.06
Weighted Average Shares	132	130	129	2	1
Diluted:					
Continuing operations	$0.51	$(0.01)	$0.33	0.52	(0.34)
Discontinued operations	—	—	(0.40)	—	0.40
Covanta Holding Corporation	$0.51	$(0.01)	$(0.07)	0.52	0.06
Weighted Average Shares	133	130	130	3	—
Cash Dividend Declared Per Share [2]	$1.00	$0.86	$0.66	0.14	0.20

(1)

Discontinued operations in 2013 are comprised of the impairment of assets related to our development activities in the United Kingdom. See Item 8. Financial Statements And Supplementary Data — Note 4. Dispositions, Assets Held for Sale and Discontinued Operations for additional information.

(2) For information on dividends declared to shareholders and share repurchases, see Liquidity and Capital Resources below.

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Supplementary Financial Information — Adjusted Earnings Per Share ("Adjusted EPS") (Non-GAAP Discussion)

We use a number of different financial measures, both accounting principles generally accepted in the United States ("GAAP") and non-GAAP, in assessing the overall performance of our business. To supplement our results prepared in accordance with GAAP, we use the measure of Adjusted EPS, which is a non-GAAP financial measure as defined by the Securities and Exchange Commission ("SEC"). The non-GAAP financial measure of Adjusted EPS is not intended as a substitute or as an alternative to diluted earnings per share as an indicator of our performance or any other measure of performance derived in accordance with GAAP. In addition, our non-GAAP financial measures may be different from non-GAAP financial measures used by other companies, limiting their usefulness for comparison purposes. We use the non-GAAP financial measure of Adjusted EPS to enhance the usefulness of our financial information by providing a measure which management internally uses to assess and evaluate the overall performance and highlight trends in the ongoing business.

Adjusted EPS excludes certain income and expense items that are not representative of our ongoing business and operations, which are included in the calculation of diluted earnings per share in accordance with GAAP. The following items are not all-inclusive, but are examples of reconciling items in prior comparative and future periods. They would include the results of operations of our insurance subsidiaries, write-offs of assets and liabilities, the effect of derivative instruments not designated as hedging instruments, significant gains or losses from the disposition or restructuring of businesses, gains and losses on assets held for sale, transaction-related costs, income and loss on the extinguishment of debt and other significant items that would not be representative of our ongoing business.

In order to provide a meaningful basis for comparison, we are providing information with respect to our Adjusted EPS for the years ended December 31, 2015, 2014 and 2013, respectively, reconciled for each such period to diluted earnings per share from continuing operations, which is believed to be the most directly comparable measure under GAAP (in millions, except per share amounts):

	Years Ended December 31,		
	2015	2014	2013
Diluted Earnings (Loss) Per Share from Continuing Operations	$0.51	$(0.01)	$0.33
Reconciling items [1]	(0.44)	0.40	0.03
Adjusted EPS	$0.07	$0.39	$0.36

(1) Additional information is provided in the Reconciling Items table below.

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	Years Ended December 31, 2015	2014	2013
Reconciling Items			
Operating loss related to insurance subsidiaries	$—	$2	$2
Net write-offs [a]	43	64	15
Severance and other restructuring [b]	7	9	2
Pension plan settlement gain [c]	—	—	(6)
Gain related to trust distribution [d]	—	—	(4)
Loss on extinguishment of debt	2	2	1
Gain on derivative instruments not designated as hedging instruments	(6)	—	(1)
Effect of foreign exchange loss on indebtedness	3	1	—
Other	1	1	—
Total reconciling items, pre-tax	50	79	9
Pro forma income tax impact [e]	(20)	(32)	(5)
Impact of IRS audit settlement [e]	(93)	—	—
Tax liability related to expected gain on sale of China assets	4	—	—
ARC purchase accounting adjustment tax impact	—	4	—
Grantor trust activity	—	1	—
Total Continuing Operations Reconciling Items, net of tax	$(59)	$52	$4
Diluted Earnings Per Share Impact	$(0.44)	$0.40	$0.03
Weighted Average Diluted Shares Outstanding	133	130	130

(a) For additional information, see Item 8. Financial Statements And Supplementary Information — Note 14. Supplementary Information - Net Write-offs.

(b) The year ended December 31, 2015 included $6 million of costs incurred in connection with separation agreements related to the departure of two executive officers of which $4 million relates to non-cash compensation. The year ended December 31, 2014 included certain costs incurred in connection with cost savings initiatives. See Item 1. Business — Execution on Strategy — Continuous Improvement.

(c) For additional information, see Item 8. Financial Statements And Supplementary Information — Note 16. Employee Benefit Plans.

(d) In 2013, we recorded a $4 million gain related to a distribution received from an insurance subsidiary grantor trust. See Item 8. Financial Statements And Supplementary Data — Note 15. Income Taxes.

(e) For additional information, see Item 8. Financial Statements And Supplementary Data — Note 15. Income Taxes.

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Supplementary Financial Information — Adjusted EBITDA (Non-GAAP Discussion)

To supplement our results prepared in accordance with GAAP, we use the measure of Adjusted EBITDA, which is a non-GAAP financial measure as defined by the SEC. This non-GAAP financial measure is described below, and is not intended as a substitute and should not be considered in isolation from measures of financial performance prepared in accordance with GAAP. In addition, our use of non-GAAP financial measures may be different from non-GAAP financial measures used by other companies, limiting their usefulness for comparison purposes. The presentation of Adjusted EBITDA is intended to enhance the usefulness of our financial information by providing a measure which management internally uses to assess and evaluate the overall performance of its business and those of possible acquisition candidates, and highlight trends in the overall business.

We use Adjusted EBITDA to provide further information that is useful to an understanding of the financial covenants contained in the credit facilities of our most significant subsidiary, Covanta Energy, and as additional ways of viewing aspects of its operations that, when viewed with the GAAP results and the accompanying reconciliations to corresponding GAAP financial measures, provide a more complete understanding of our core business. The calculation of Adjusted EBITDA is based on the definition in Covanta Energy's Credit Facilities (as defined and described below under Liquidity and Capital Resources), which we have guaranteed. Adjusted EBITDA is defined as earnings before interest, taxes, depreciation and amortization, as adjusted for additional items subtracted from or added to net income. Because our business is substantially comprised of that of Covanta Energy, our financial performance is substantially similar to that of Covanta Energy. For this reason, and in order to avoid use of multiple financial measures, which are not all from the same entity, the calculation of Adjusted EBITDA and other financial measures presented herein are measured on a consolidated basis, less the results of operations of our insurance subsidiaries in periods prior to their sale in the fourth quarter of 2014. Under the Credit Facilities, Covanta Energy is required to satisfy certain financial covenants, including certain ratios of which Adjusted EBITDA is an important component. Compliance with such financial covenants is expected to be the principal limiting factor that will affect our ability to engage in a broad range of activities in furtherance of our business, including making certain investments, acquiring businesses and incurring additional debt. Covanta Energy was in compliance with these covenants as of December 31, 2015. Failure to comply with such financial covenants could result in a default under the Credit Facilities, which default would have a material adverse effect on our financial condition and liquidity. Adjusted EBITDA should not be considered as an alternative to net income or cash flow provided by operating activities as indicators of our performance or liquidity or any other measures of performance or liquidity derived in accordance with GAAP.

In order to provide a meaningful basis for comparison, we are providing information with respect to our Adjusted EBITDA for the years ended December 31, 2015, 2014 and 2013, respectively, reconciled for each such period to net income from continuing operations and cash flow provided by operating activities from continuing operations, which are believed to be the most directly comparable measures under GAAP. The following is a reconciliation of Net Income to Adjusted EBITDA (in millions):

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Adjusted EBITDA	Years Ended December 31, 2015	2014	2013
Net Income (Loss) Attributable to Covanta Holding Corporation — Continuing Operations	$68	$(2)	$43
Operating loss related to insurance subsidiaries	—	2	2
Depreciation and amortization expense	198	211	209
Debt service:			
Net interest expense on project debt	9	10	13
Interest expense	125	125	118
Non-cash convertible debt related expense	—	13	28
Investment income	—	(1)	—
Subtotal debt service	134	147	159
Income tax (benefit) expense	(84)	15	43
Net write-offs [a]	43	64	15
Pension plan settlement gain [a]	—	—	(6)
Loss on extinguishment of debt	2	2	1
Gain related to trust distribution [a]	—	—	(4)
Net income (loss) attributable to noncontrolling interests in subsidiaries	1	1	(1)
Other adjustments:			
Debt service billing in excess of revenue recognized	1	2	9
Severance and other restructuring [a]	4	9	2
Non-cash compensation expense [b]	18	17	15
Capital type expenditures at service fee operated facilities [c]	31	—	—
Other non-cash items [d]	12	6	7
Subtotal other adjustments	66	34	33
Total adjustments	360	476	451
Adjusted EBITDA	$428	$474	$494

(a) For additional information, see Adjusted EPS above.

(b) The year ended December 31, 2015 includes $4 million of costs incurred in connection with separation agreements related to the departure of two executive officers.

(c) Adjustment for impact of adoption of FASB ASC 853 - Service Concession Arrangements in order to provide comparability to prior period results. These type of expenditures at our service fee operated facilities were historically capitalized prior to adoption of this new accounting standard effective January 1, 2015.

(d) Includes certain other items that are added back under the definition of Adjusted EBITDA in Covanta Energy LLC's credit agreement.

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The following is a reconciliation of cash flow provided by operating activities to Adjusted EBITDA (in millions):

	Years Ended December 31,		
	2015	2014	2013
Cash flow provided by operating activities from continuing operations	$249	$340	$324
Cash flow used in operating activities from insurance activities	—	1	8
Debt service	134	147	159
Change in working capital	22	(4)	33
Change in restricted funds held in trust	(28)	(11)	(20)
Non-cash convertible debt related expense	—	(13)	(28)
Equity in net income from unconsolidated investments	13	10	6
Dividends from unconsolidated investments	(5)	(11)	(7)
Current tax provision	6	11	12
Capital type expenditures at service fee operated facilities	31	—	—
Other	6	4	7
Sub-total:	45	(14)	3
Adjusted EBITDA	$428	$474	$494

For additional discussion related to management's use of non-GAAP measures, see Liquidity and Capital Resources — Supplementary Financial Information — Free Cash Flow (Non-GAAP Discussion) below.

BUSINESS OUTLOOK

In 2016 and beyond, we expect that our financial results will be affected by several factors, including: market prices, contract transitions, new contracts, organic growth and acquisitions, centralized metals processing and enhanced recovery, continuous improvement using Lean Six Sigma concepts, and our ability to manage facility production and operating costs.

In 2016, the following specific factors are expected to impact our financial results as compared to 2015:

Positive factors include:

- Approximately $15 to $20 million impact from new business activities;
- Potential cost savings from our continuous improvement efforts;
- Approximately $10 million from favorable contract transitions; and
- $25 million impact from the Durham-York construction to commercial operations transition.

Negative factors include:

- $0 to $40 million lower anticipated market prices for electricity and recycled metals;
- $30 to $35 million of increased incentive compensation expense; and
- $20 to $25 million impact from our China asset swap due to the elimination of earnings contribution from the China investments.

LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of liquidity are our cash and cash equivalents, cash flow generated from our ongoing operations, and available capacity under our Revolving Credit Facility, which we believe will allow us to meet our liquidity needs.

The following summarizes our key financing activities completed during the year ended December 31, 2015:

- In August 2015, we issued two new series of fixed rate tax-exempt corporate bonds totaling $130 million. Proceeds from the offerings were utilized to refinance $34 million of outstanding tax-exempt Variable Rate Bonds related to project debt at our Delaware Valley facility and to fund certain capital improvements at our Essex County facility.
-

During 2015, we fully utilized the €75 million Dublin Convertible Preferred and subsequently the €50 million Dublin Junior Term Loan to fund construction costs of the Dublin EfW facility.

- During 2015, we borrowed $15 million under equipment financing capital lease arrangements to purchase barges, rail cars, containers and intermodal equipment related to our contract with New York City.
- In April 2015, our Onondaga County client refinanced $42 million of outstanding project debt with $54 million of new tax-exempt bonds issued with a $5 million premium. The incremental proceeds were used to establish a $15 million restricted

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cash fund to be used toward facility projects and to satisfy $2 million of transaction costs. The bonds bear interest from 1.75% to 5.00% and have scheduled annual payments with final maturity on May 1, 2035.

- In April 2015, we extended the termination date for a majority of our Revolving Credit Facility to 2020, reduced the applicable margin by 25 basis points, and reduced certain commitment fees payable on unused amounts. We also refinanced our previous $198 million Term Loan due 2019 with a new $200 million term loan due April 2020 with a lower applicable margin and no LIBOR floor, reduced the letter of credit sublimit from $1 billion to $600 million, and removed the excess cash flow sweep. See discussion below under Available Sources of Liquidity.

As of December 31, 2015, Covanta Energy had $1.2 billion in senior secured credit facilities, which includes a $1.0 billion Revolving Credit Facility expiring between 2019 and 2020. As of December 31, 2015, our available liquidity was as follows (in millions):

	As of December 31, 2015
Cash	$94
Available borrowing capacity under Revolving Credit Facility	468
Total available liquidity	$562

In addition, as of December 31, 2015, we had restricted cash of $158 million, of which $17 million was designated for future payment of project debt principal. Restricted funds held in trust are primarily amounts received and held by third-party trustees relating to certain projects we own. We generally do not control these accounts and these funds may be used only for specified purposes. For additional information on restricted funds held in trust, see Item 8. Financial Statements And Supplementary Data — Note 1. Organization and Summary of Significant Accounting Policies-Restricted Funds Held in Trust.

We typically receive cash distributions from our North America segment projects on a monthly basis. The frequency and predictability of which differs depending upon various factors, including, whether a project is domestic or international, and whether a project has been able to operate at its historical levels of production. The timing of our receipt of cash from construction projects for public sector clients is generally based upon our reaching completion milestones as set forth in the applicable contracts, and the timing and size of these milestone payments can result in material working capital variability between periods.

Our primary future cash requirements will be to fund capital expenditures to maintain our existing businesses, service our debt, invest in the growth of our business, and return capital to our shareholders. We believe that our liquidity position and ongoing cash flow from operations will be sufficient to finance these requirements.

Share Repurchases and Dividends

For additional information on share repurchases and dividends, see Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities and Item 8. Financial Statements And Supplementary Data — Note 5. Equity and Earnings Per Share ("EPS").

Sources and Uses of Cash Flow from Continuing Operations

Year Ended December 31, 2015 vs. Year Ended December 31, 2014

Net cash provided by operating activities from continuing operations for the year ended December 31, 2015 decreased $91 million from the prior year period. The decrease was primarily due to a decrease in working capital coupled with decreased operating performance, which included the adoption of service concession guidance, which contributed a $31 million increase in plant operating expenses. In prior years, such amounts would have been classified as investing activities. For additional information, see Item 8. Financial Statements And Supplementary Information — Note 1. Organization and Summary of Significant Accounting Policies - Change in Accounting Principle.

Net cash used in investing activities from continuing operations for the year ended December 31, 2015 increased $216 million from the prior year period. The increase was primarily due to higher capital investment of $160 million primarily related to construction of the Dublin EfW facility, offset by the impact of the change due to the adoption of accounting guidance discussed above and a $59 million increase due to the acquisition of four environmental services businesses in the current year as compared to one in the prior year.

Net cash provided by financing activities from continuing operations for the year ended December 31, 2015 increased $418 million from the prior year period due to increased net borrowings under our Revolving Credit Facility of $168 million, the issuance of New Jersey Series tax-exempt bonds of $90 million, and borrowings under Dublin EfW facility project financing arrangements totaling $148 million and a net decrease in repayment of other long term debt of approximately $150 million, partially offset by a $48 million decrease in proceeds from capital leases, a $33 million increase in cash used to repay project debt and a $62 million increase in cash used for cash dividends and common stock repurchases in the current year.

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Year Ended December 31, 2014 vs. Year Ended December 31, 2013

Net cash provided by operating activities from continuing operations for the year ended December 31, 2014 increased $16 million from the prior year period. The increase was primarily due to the timing of working capital changes.

Net cash used in investing activities from continuing operations for the year ended December 31, 2014 decreased $23 million from the prior year period. The decrease was primarily due to lower outflows of $46 million for the acquisition of businesses and noncontrolling interests, and lower payments received for loans repaid of $9 million, offset by higher payments for purchase of property, plant and equipment of $28 million and higher proceeds from the sale of marketable securities of $11 million.

Net cash used in financing activities from continuing operations for the year ended December 31, 2014 was $207 million, representing a greater net outflow of $96 million as compared to the prior period. The net decrease in cash was primarily driven by the net financing activities completed during the year ended December 31, 2014 and higher cash dividends of $36 million, offset by lower repayments of project debt of $31 million.

Supplementary Financial Information — Free Cash Flow (Non-GAAP Discussion)

To supplement our results prepared in accordance with GAAP, we use the measure of Free Cash Flow, which is a non-GAAP measure as defined by the SEC. This non-GAAP financial measure is not intended as a substitute and should not be considered in isolation from measures of liquidity prepared in accordance with GAAP. In addition, our use of Free Cash Flow may be different from similarly identified non-GAAP measures used by other companies, limiting its usefulness for comparison purposes. The presentation of Free Cash Flow is intended to enhance the usefulness of our financial information by providing measures which management internally uses to assess and evaluate the overall performance of its business and those of possible acquisition candidates, and highlight trends in the overall business.

We use the non-GAAP financial measure of Free Cash Flow as a criterion of liquidity and performance-based components of employee compensation. Free Cash Flow is defined as cash flow provided by operating activities, excluding the cash flow provided by or used in our insurance subsidiaries, less maintenance capital expenditures, which are capital expenditures primarily to maintain our existing facilities. We use Free Cash Flow as a measure of liquidity to determine amounts we can reinvest in our core businesses, such as amounts available to make acquisitions, invest in construction of new projects, make principal payments on debt, or return capital to our shareholders through dividends and/or stock repurchases. For additional discussion related to management’s use of non-GAAP measures, see Results of Operations — Supplementary Financial Information — Adjusted EBITDA (Non-GAAP Discussion) above. In order to provide a meaningful basis for comparison, we are providing information with respect to our Free Cash Flow for the years ended December 31, 2015, 2014 and 2013, reconciled for each such period to cash flow provided by operating activities from continuing operations, which we believe to be the most directly comparable measure under GAAP.

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The following is a reconciliation of Free Cash Flow and its primary uses (in millions):

	Years Ended December 31, 2015	2014	2013
Cash flow provided by operating activities of continuing operations	$249	$340	$324
Plus: Cash flow used in operating activities from insurance activities	—	1	8
Less: Maintenance capital expenditures [a]	(102)	(101)	(87)
Free Cash Flow	$147	$240	$245
Uses of Free Cash Flow			
Investments:			
Growth investment [b]	$(346)	$(143)	$(162)
Property insurance proceeds	1	2	4
Other investing activities, net [c]	(1)	10	(13)
Total investments	$(346)	$(131)	$(171)
Return of capital to shareholders:			
Cash dividends paid to shareholders	$(133)	$(101)	$(65)
Common stock repurchased	(30)	—	(34)
Total return of capital to shareholders	$(163)	$(101)	$(99)
Capital raising activities:			
Net proceeds from issuance of corporate debt [d]	$98	$405	$21
Net proceeds from issuance of project debt [e]	15	—	—
Net proceeds from Dublin Convertible Preferred	85	—	—
Net proceeds from equipment financing capital lease [f]	15	63	—
Net proceeds from the exercise of options for common stock	—	10	1
Change in restricted funds held in trust	—	(3)	—
Other financing activities, net	5	(3)	(25)
Net proceeds from capital raising activities	$218	$472	$(3)
Debt repayments:			
Net cash used for scheduled principal payments on corporate debt	$(1)	$(462)	$(3)
Payments related to Cash Conversion Option [g]	—	(83)	—
Proceeds from the settlement of Note Hedge [g]	—	83	—
Net cash used for scheduled principal payments on project debt [h]	(38)	(29)	(56)
Payment of equipment financing capital lease [f]	(4)	(1)	—
Voluntary prepayment of corporate debt	—	(95)	—
Fees incurred for debt refinancing	(7)	(29)	—
Total debt repayments	$(50)	$(616)	$(59)
Borrowing activities - Revolving Credit Facility, net	$203	$35	$50
Effect of exchange rate changes on cash and cash equivalents	$(4)	$(5)	$(1)
Net change in cash and cash equivalents from continuing operations	$5	$(106)	$(38)

(a) Purchases of property, plant and equipment are also referred to as capital expenditures. Capital expenditures that primarily maintain existing facilities are classified as maintenance capital expenditures. Growth investments

include investments in growth opportunities, including organic growth initiatives, technology, business development, and other similar expenditures. The following table provides the components of total purchases of property, plant and equipment:

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	Years Ended December 31,		
	2015	2014	2013
Maintenance capital expenditures	$(102)	$(101)	$(87)
Capital expenditures associated with organic growth initiatives	(34)	(25)	(78)
Capital expenditures associated with the New York City contract	(30)	(59)	(23)
Capital expenditures associated with Essex County EfW emissions control system	(26)	(17)	—
Capital expenditures associated with construction of Dublin EfW facility	(184)	(14)	—
Total capital expenditures associated with growth investments	(274)	(115)	(101)
Total purchases of property, plant and equipment	$(376)	$(216)	$(188)

(b) Growth investments include investments in growth opportunities, including organic growth initiatives, technology, business development, and other similar expenditures.

	Years Ended December 31,		
	2015	2014	2013
Capital expenditures associated with growth investments	$(274)	$(115)	$(101)
Investments in connection with the Dublin EfW facility, net of capital expenditures	—	(14)	—
Other organic growth investments	—	(1)	(4)
Acquisitions, net of cash acquired	(72)	(13)	(57)
Total growth investments	$(346)	$(143)	$(162)

(c) Other investing activities include net payments from the purchase/sale of investment securities.

(d) Excludes borrowings under the Revolving Credit Facility. Calculated as follows:

	Years Ended December 31,		
	2015	2014	2013
Proceeds from borrowings on long-term debt	$294	$412	$22
Refinanced long-term debt	(195)	—	—
Less: Financing costs related to issuance of long-term debt	(1)	(7)	(1)
Net proceeds from issuance of corporate debt	$98	$405	$21

(e) During the third quarter in 2014, we received proceeds from a Junior Term Loan related to our Dublin project:

	Years Ended December 31,		
	2015	2014	2013
Proceeds from borrowings on project debt	$59	$63	$—
Refinanced project debt	(42)	—	—
Less: Funding into escrow	—	(63)	—
Less: Financing cost related to the issuance of project debt	(2)	$—	$—
Net proceeds from issuance of project debt	$15	$—	$—

(f) During 2015 and 2014, we financed $15 million and $63 million for equipment related to our New York City contract.

(g) The $460 million of 3.25% Cash Convertible Senior Notes matured on June 1, 2014. Upon maturity, we were required to pay $83 million to satisfy the obligation under the Cash Conversion Option in addition to the principal amount of the 3.25% Notes. We cash-settled the Note Hedge for $83 million effectively offsetting our liability under the Cash Conversion Option.

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(h) Calculated as follows:

	Years Ended December 31,		
	2015	2014	2013
Total scheduled principal payments on project debt	$(43)	$(52)	$(83)
Decrease in related restricted funds held in trust	5	23	27
Net cash used for principal payments on project debt	$(38)	$(29)	$(56)

Available Sources of Liquidity

Cash and Cash Equivalents

Cash and cash equivalents include all cash balances and highly liquid investments having maturities of three months or less from the date of purchase. These short-term investments are stated at cost, which approximates fair value. Balances held by our international subsidiaries are not generally available for near-term liquidity in our domestic operations.

	As of December 31,	
	2015	2014
	(in millions)	
Domestic	$44	$18
International	50	66
Total Cash and Cash Equivalents	$94	$84

Credit Facilities

Effective April 2015, we amended and restated Covanta Energy’s credit facilities, which consist of a $1.0 billion revolving credit facility, expiring 2019 through 2020, (the “Revolving Credit Facility”) and a $200 million term loan due 2020 (the “Term Loan”) (collectively referred to as the "Credit Facilities"). For a detailed description of the terms of the Credit Facilities, see Item 8. Financial Statements And Supplementary Data — Note 11. Consolidated Debt.

Consolidated Debt

Consolidated debt is as follows (in millions):

	As of December 31, 2015		As of December 31, 2014	
	Face Value	Book Value	Face Value	Book Value
Corporate Debt:				
Revolving Credit Facility	$348	$348	$145	$145
Term Loan due 2019	200	200	198	197
7.25% Senior Notes due 2020	400	400	400	400
6.375% Senior Notes due 2022	400	400	400	400
5.875% Senior Notes due 2024	400	400	400	400
4.00% - 5.25% Tax-Exempt Bonds due 2024 - 2045	464	464	369	369
3.48% - 4.52% Equipment Leases due 2024 - 2026	73	$73	62	62
Total corporate debt (including current portion)	$2,285	$2,285	$1,974	$1,973
Project Debt:				
Domestic project debt - service fee facilities	$117	$122	$135	$136
Domestic project debt - tip fee facilities	23	23	29	29
Dublin Junior Term Loan due 2022	57	56	61	60
Total project debt (including current portion)	$197	$201	$225	$225
Total Debt Outstanding	$2,482	$2,486	$2,199	$2,198

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As of December 31, 2015, the maturities of debt, excluding premiums are as follows (in millions):

	2016	2017	2018	2019	2020	Thereafter	Total
Revolving Credit Facility	$—	$—	$—	$17	$331	$—	$348
Term Loan	4	5	5	5	181	—	200
Senior Notes	—	—	—	—	400	800	1,200
Tax-Exempt Bonds	—	—	—	—	—	464	464
Equipment Leases	4	4	5	5	5	50	73
Project Debt	15	17	19	14	4	128	197
Total	$23	$26	$29	$41	$921	$1,442	$2,482

For a detailed description of the terms of the debt instruments noted in the table above, see Item 8. Financial Statements And Supplementary Data — Note 11. Consolidated Debt. The loan documentation governing the Credit Facilities contains various affirmative and negative covenants, as well as financial maintenance covenants, that limit our ability to engage in certain types of transactions. We were in compliance with all of the affirmative and negative covenants under the Credit Facilities as of December 31, 2015.

Dublin Project Financing

The investment in the Dublin EfW facility is expected to total approximately €500 million, which will be funded with a combination of third party non-recourse project financing (€375 million) and the contribution of €125 million of project equity by our subsidiary, Covanta Energy, which has been fully funded as of December 31, 2015. For additional information on the project financing terms, see Item 8. Financial Statements And Supplementary Data — Note 11. Consolidated Debt. We entered into interest rate swap agreements in order to hedge our exposure to adverse variable interest rate fluctuations under the Dublin Senior Term Loan. For additional information, see Item 8. Financial Statements And Supplementary Data — Note 13. Derivative Instruments.

Project Debt

Financing for the construction of our existing energy-from-waste projects in the North America segment was generally raised through tax-exempt and taxable municipal revenue bonds issued by or on behalf of the municipal client. In the case of facilities owned by a subsidiary of ours, the municipal issuers of the bond loaned the bond proceeds to our subsidiary to pay for facility construction. Financing for international projects in which we have an ownership or operating interest is generally raised through commercial loans from local lenders; financing arranged through international banks; and/or bonds issued to institutional investors. In most international projects, the instruments defining the rights of debt holders generally provide that the project subsidiary may not make distributions to its parent until periodic debt service obligations are satisfied and other financial covenants are complied with. For additional information on project debt, see Item 8. Financial Statements And Supplementary Data — Note 11. Consolidated Debt.

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Capital Requirements

The following table summarizes our gross contractual obligations including project debt, leases and other obligations as of December 31, 2015 (in millions):

		Payments Due by Period			
	Total	2016	2017 and 2018	2019 and 2020	2021 and Beyond
RECORDED LIABILITIES:					
Project debt	$197	$15	$36	$18	$128
Term Loan [1]	200	4	10	186	—
Revolving Credit Facility [1]	348	—	—	348	—
7.25% Senior Notes [2]	400	—	—	400	—
6.375% Senior Notes [3]	400	—	—	—	400
5.875% Senior Notes [4]	400	—	—	—	400
Tax-exempt bonds due 2024-2045 [5]	464	—	—	—	464
Equipment leases [6]	73	4	9	10	50
Total debt obligations	2,482	23	55	962	1,442
Less: Non-recourse debt [7]	(270)	(19)	(45)	(28)	(178)
Total recourse debt	$2,212	$4	$10	$934	$1,264
Dublin Convertible Preferred [8]	$95	$—	$12	$7	$76
Uncertainty in income tax obligations [9]					