COVANTA HOLDING CORP
Form 10-K
March 02, 2015
Table of Contents

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, 2014
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, 2014, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was $2.2 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 20, 2015
Common Stock, $0.10 par value	132,864,784 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 2015 Annual Meeting of Stockholders.

Table of Contents

TABLE OF CONTENTS

Table of Contents

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;
- our ability to utilize net operating loss carryforwards;
- 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 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;
- general economic conditions in the United States and abroad, including the availability of credit and debt financing; and
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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.

Table of Contents

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.

Table of Contents

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 (formerly known as Covanta Energy Corporation) 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 fourth quarter of 2014, we sold all of our interests in subsidiaries engaged in the insurance business. These subsidiaries had operations in California, primarily in property and casualty insurance. The business was transitioned into run-off in 2012 and collectively accounted for less than 1% of our consolidated revenue.

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”). 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.

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 5% of the municipal solid waste (“MSW”) generated in the United States. We operate and/or have ownership positions in 46 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 a waste management infrastructure, including 18 transfer stations that is 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 which 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 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.

Table of Contents

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, which are sometimes offered through joint ventures or with third parties. We can help clients adopt a holistic “Reduce, Reuse, Recycle, Recover” waste management strategy from end to end. We offer tailored recycling and recovery solutions, providing alternatives to landfills to enhance our customers' reputation and reduce their risk.

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”. Our primary offering is energy-from-waste, but we are increasingly offering a variety of sustainable services in response to customer demand, with some of our new services being offered through joint ventures or with third parties. 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 on capital. We are currently focusing on opportunities in the United States, Canada, Ireland, and China. In addition to our focus on EfW and related waste sourcing service, we are targeting businesses that provide services for treatment, management, and disposal of industrial waste and industrial site / facility remediation.

  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.
- 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 by returning capital to our shareholders.
- 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.

6

Table of Contents

EXECUTION ON STRATEGY

Growth and Asset Management

During 2014, we:

- entered into agreements to build, own and operate a new 600,000 metric ton per-year, 58 megawatt facility in Dublin, Ireland and commenced construction of the facility;
- entered into a ten-year service fee contract to operate an existing 3,150 ton per day energy-from-waste facility located in Pinellas County, Florida;
- entered into a waste disposal agreement with our client at the Fairfax County EfW facility, extending our relationship under a tip fee arrangement effective at the end of the current service agreement in February 2016;
- extended long-term service fee contracts at our Onondaga County and York County EfW facilities;
- entered into an agreement with the City of Indianapolis for the construction and operation of an Advanced Recycling Center ("ARC") adjacent to our Indianapolis EfW facility which will recover recyclables from mixed municipal solid waste using state-of-the-art sorting technology (in conjunction with the extension of our existing waste disposal agreement);
- in addition to the aforementioned contracts, we extended and/or entered into new long-term municipal waste disposal contracts totaling approximately 2.5 million tons per year, most notably at our Essex County, Haverhill, SeMass, Hempstead and Plymouth EfW facilities;
- installed and/or upgraded metal recovery systems at 8 EfW facilities, increasing recovery of ferrous and non-ferrous metal by approximately 9,000 and 2,000 tons, respectively, on an annualized basis;
- procured intermodal transportation equipment and commenced certain facility modifications in preparation for operations under our new long-term waste transportation and disposal contract with New York City in early 2015; and
- acquired a business located in North Carolina, specializing in the treatment, storage and disposal of industrial waste and industrial site / facility remediation projects.

For additional information on these activities, see Item 8. Financial Statements And Supplementary Data — Note 3. Growth and Contract Transactions.

Efficiency Improvements

In 2014, we implemented several initiatives to improve process efficiency and reduce ongoing expenses across our business. We targeted cost savings that we expect will benefit Adjusted EBITDA by approximately $30 million in 2015. The initiatives did not materially impact Adjusted EBITDA in 2014, as the costs of implementation generally were offset by initial savings. We expect to continue to study our cost structure as well as our revenue generating activities to pursue ongoing improvements in support of our strategic goals.

The initiatives we announced in 2014 can be categorized under two broad themes:

1. Reducing costs of goods and services. This was driven by:

- New strategic procurement practices to further leverage our scale and purchasing power; and
- A multi-year effort to increase labor efficiency during maintenance outages. This is planned to be accomplished with a combination of best practices, enhanced planning and modest capital investments.

2. Reducing staff by improving process efficiency and implementing best practices including:

- Adding, upgrading and leveraging existing information technology systems to streamline processes; and
- Centralization and reorganization of certain overhead functions, including accounting, finance, and procurement.

Capital Allocation

During 2014, we:

- invested $136 million in growth projects, including $59 million in preparation for our New York City transportation and disposal contract, $21 million towards the development and construction of the Dublin Waste-to-Energy Facility, $13 million for acquisitions, and $43 million for various organic growth investments, including metals recovery projects;
- borrowed $468 million in financing for the projects referenced above; and
- increased our quarterly cash dividend to $1.00 per share on an annualized basis, beginning in the third quarter of 2014.

7

Table of Contents

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 in some cases have ownership interests in, transfer stations and landfills (primarily used for ash disposal rather than municipal solid waste) that are ancillary and complementary to our EfW projects and generate additional revenue from disposal fees or operating 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. At Tip Fee projects, we receive a per-ton fee for processing waste, and we typically retain all of the revenue generated from energy and recycled metal sales. We own or lease the Tip Fee facilities. At Service Fee projects, we typically charge a fixed fee for operating the facility, and the facility capacity is dedicated either primarily or exclusively to the host community client, which also retains the majority of any revenue generated from energy and recycled metal sales. As a result of these distinctions, the revenue and income generated at Tip Fee projects is heavily dependent on operating performance, as well as waste, energy and metal market conditions. Service Fee projects have much less revenue exposed to waste, energy or metal markets and variations in operating performance have a smaller impact on revenue. At service fee projects that we do not own, we are typically responsible for maintaining and replacing capital equipment as necessary. 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	6	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

The following describes features generally common to these agreements, as well as important distinctions among them:

- For new facilities or significant expansions, we design the facility, help to arrange for financing and then we either construct and equip the facility on a fixed price and schedule basis, or we undertake an alternative role, such as construction management, if our municipal client so desires.
- Projects we own were financed at construction with project debt in the form of tax-exempt municipal bonds issued by a sponsoring municipality, which generally mature at the same time the initial term of our service contract expires and are

Table of Contents

repaid over time based on set amortization schedules. Generally, project debt is secured by the project's revenue contracts and other assets of our project subsidiary.

- At Tip Fee facilities, our project subsidiary is responsible for meeting any debt service or lease payment obligations from the revenue generated by the facility.
- At Service Fee projects that we own and where project debt is in place, a portion of our monthly fee from the municipal client is dedicated, dollar-for-dollar, to project debt service. For these facilities, the bond proceeds are loaned to us to pay for facility construction and to fund a debt service reserve for the project, which is generally sufficient to pay principal and interest for one year. Project-related debt is included as “project debt” and the debt service reserves are included as “restricted funds held in trust” in our consolidated financial statements. When the service contract expires and the debt is paid off, the project owner (either Covanta or the municipal entity) will determine the form of any new contractual arrangements. We are not responsible for debt service for projects that we neither own nor lease.

We recognize revenue earned explicitly to service project debt principal on a levelized basis over the term of the applicable service agreement. The total revenue is equal to the amount of project debt originally issued, less any debt service reserve accounts. While we recognize debt service revenue over the term of the applicable service agreement, once project debt is retired (or, if applicable, covered by amounts held in reserve accounts), we no longer receive payments.

Our project debt repayment schedule and related debt service revenue for our North America segment are as follows (in millions):

Project Debt Repayment	2008 - 2014	2015	2016	2017	2018	2019	Beyond 2019
Total Principal Payments [1]	$872	$37	$14	$15	$16	$11	$72
Total Change in Principal-Related Restricted Funds	(188)	(6)	—	—	(5)	(9)	—
Net Cash Used for Project Debt Principal Repayment	$684	$31	$14	$15	$11	$2	$72

Client Payments for Debt Service	2008 - 2014	2015	2016	2017	2018	2019	Beyond 2019
Debt Service Revenue - Principal [2]	$342	$9	$3	$3	$2	$—	$—
Debt Service Revenue - Interest	94	2	1	1	—	—	—
Debt Service Billings in Excess of Revenue Recognized	105	2	5	5	—	—	—
Client Payments for Debt Service [3]	$541	$13	$9	$9	$2	$—	$—
Net Change in Debt Service Billings Per Period	$(99)	$(11)	$(4)	$—	$(7)	$(2)	$—

(1) Excludes payments related to project debt refinancings.

(2) Includes pass-through lease payments for emission control system (approximately $4 million per year 2008-2012).

(3) Related to Service Fee Facilities only.

- Following construction and during operations, we receive revenue from three primary sources: fees we receive for operating and maintaining projects or for processing waste received; payments we receive from the sale of electricity and/or steam, and payments we receive from the sale of recycled metals we recover.
- 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. Failure to meet these requirements or satisfy the other material terms of our agreement (unless the failure is caused by our client community or by events defined in the contract as beyond our control), may result in damages

charged to us or, if the breach is substantial, continuing and unremedied, termination of the applicable agreement. These damages could include amounts sufficient to repay project debt (as reduced by amounts held in trust and/or proceeds from sales of facilities securing project debt) and as such, these contingent obligations cannot readily be quantified. For our client communities and, in some cases other parties, we have guaranteed that our project subsidiaries will perform in accordance with contractual terms including, where required, the payment of such damages. 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.

- At Service Fee projects, a client community generally must deliver minimum quantities of municipal solid waste to the facility on a put-or-pay basis and is obligated to pay a fee for its disposal regardless of whether the full amount of waste is actually delivered. Client communities have consistently met their commitment to deliver the stated quantity of waste. Where a Service Fee structure exists, portions of the service fee escalate to reflect indices for inflation, and in many cases, the client community must also pay for other costs, such as insurance, taxes, and transportation and disposal of the ash residue to the disposal site. Generally, expenses resulting from the delivery of unacceptable and hazardous waste on the site

Table of Contents

are also borne by the client community. In addition, the contracts generally require the client community to pay increased expenses and capital costs resulting from unforeseen circumstances, subject to specified limits. At two publicly-owned facilities we operate, our client community may terminate the operating contract under certain circumstances without cause.

- We either own or lease the real estate related to our facilities. Where we have a leasehold interest in the real estate, we typically lease the real estate from the local client community with whom we originally contracted for waste disposal service, for a term that exceeds the term of the service contract. Rent prior to the expiration of service contracts is generally nominal; during site lease renewal periods rent may be either factored into service renewal terms, or set based on market conditions and other commercial considerations. Site leases typically have renewal rights beyond their original terms, at our option. If we are unwilling or unable to negotiate leasehold extensions beyond all existing renewal terms, we generally have rights to remove and retain the facility components.
- Our financial returns from facility operations are expected to be stable if we do not incur material unexpected operation and maintenance costs or other expenses, and if we do not experience material shifts in market pricing. Across our fleet of facilities, we operate and maintain a large number of combustion units, turbine generators, among other systems, and the average age of our facilities is approximately 26 years. On an ongoing basis, we assess the effectiveness of our preventative maintenance programs, and implement adjustments to those programs which 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 annual expenditures required to maintain our 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. In addition, most of our EfW project contracts are structured so that contract counterparties generally bear, or share in, the costs associated with events or circumstances not within our control, such as uninsured force majeure events and changes in legal requirements. The stability of our revenues and returns could be affected by our ability to continue to enforce these obligations. Also, at some of our EfW facilities, commodity price risk is mitigated by passing through commodity costs to contract counterparties. With respect to our other renewable energy projects, such structural features generally do not exist because either we operate and maintain such facilities for our own account or we do so on a cost-plus basis rather than a fixed-fee basis.

Contracted and Merchant Revenue

We generated 83% of our waste and service revenues in the North America segment in 2014 under contracts at set rates, while 17% was generated at prevailing market prices. Our waste disposal / service and energy contracts expire at various times between 2015 and 2038. The extent to which any such expiration will affect us will depend upon a variety of factors, including whether we own the project and/or the real estate to which a contract relates, market conditions then prevailing, and whether the municipal client exercises options it may have to extend the contract term. As our contracts expire, we become subject to greater market risk in maintaining and enhancing our revenues. As service agreements at municipally-owned facilities expire, we intend to seek to enter into renewal or replacement contracts to operate such facilities. As our waste service agreements at facilities 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 revenues to us. At facilities we own, the expiration of existing energy contracts will require us to sell our output either into the local electricity grid at prevailing rates or pursuant to new contracts.

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. For example, in 2013 we entered into a new agreement with New York City to accept waste from its marine transfer station system. We expect this waste will fill merchant capacity at our Niagara and Delaware Valley facilities. See discussion under Item 8. Financial Statements And Supplementary Data — Note 3. Growth and Contract Transactions for additional information regarding this agreement.

To date, we have been successful in extending the substantial majority of our existing contracts to operate EfW facilities owned by municipal clients where market conditions and other factors make it attractive for both us and our municipal clients to do so. See discussion under Item 8. Financial Statements And Supplementary Data — Note 3. Growth and Contract Transactions for additional information. The extent to which additional extensions will be attractive to us and to our municipal clients who own their projects will depend upon the market and other factors noted above. See Item 1A. Risk Factors — Our results of operations may be adversely affected by market conditions existing at the time our contracts expire.

We expect that multi-year contracts for waste supply at facilities we own or lease 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.

In contrast, as a result of structural and regulatory changes in the energy markets over time, 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

Table of Contents

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.

Our 2015 projected mix of contracted and market-exposed energy generation is as follows (in millions):

Projected Energy Megawatt Hours (MWh) At Market and Contracted by Facility Type [(a)]

	Full Year 2015E As of January 1, 2015
EfW	
At Market	1.6
Contracted & Hedged	4.3
Total EfW	5.9
Biomass [(b)]	
At Market	0.2
Contracted	0.3
Total Biomass	0.6
Total	6.5

(a) Covanta share only. Certain amounts may not total due to rounding.

(b) Additional 0.4 million MWh of Biomass energy is economically dispatched, but available to run.

EfW Asset Details

We currently operate EfW projects in 16 states and one Canadian province, and are constructing an EfW project in a second Canadian province. The following map illustrates our energy-generating facility locations in North America:

Table of Contents

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.	Southeast Massachusetts [2]	Massachusetts	2,700	78.0	Owner/Operator	N/A	2017
2.	Delaware Valley	Pennsylvania	2,688	87.0	Owner/Operator	2017	2016
3.	Hempstead	New York	2,505	72.0	Owner/Operator	2034	2027
4.	Indianapolis [3][4]	Indiana	2,362	6.5	Owner/Operator	2028	2028
5.	Niagara [3][4]	New York	2,250	50.0	Owner/Operator	N/A	2015-2024
6.	Essex County [5]	New Jersey	2,277	66.0	Owner/Operator	2032	N/A
7.	Haverhill [5]	Massachusetts	1,650	44.6	Owner/Operator	N/A	N/A
8.	Union County [5]	New Jersey	1,440	42.1	Lessee/Operator	2031	N/A
9.	Plymouth [6]	Pennsylvania	1,216	32.0	Owner/Operator	N/A	N/A
10.	Tulsa [4][5]	Oklahoma	1,125	16.8	Owner/Operator	2022	2019
11.	Camden [5]	New Jersey	1,050	21.0	Owner/Operator	N/A	N/A
12.	Alexandria/Arlington [5]	Virginia	975	22.0	Owner/Operator	N/A	2023
13.	Stanislaus County	California	800	22.4	Owner/Operator	2027	2016
14.	Bristol [5]	Connecticut	650	16.3	Owner/Operator	2034	N/A
15.	Lake County	Florida	528	14.5	Owner/Operator	N/A	2024
16.	Warren County [5]	New Jersey	450	13.5	Owner/Operator	N/A	N/A
17.	Wallingford [5][7]	Connecticut	420	11.0	Owner/Operator	2020	N/A
18.	Springfield [5]	Massachusetts	400	9.4	Owner/Operator	2024	N/A
19.	Pittsfield [4]	Massachusetts	240	0.9	Owner/Operator	2015	2015
	SERVICE FEE (OWNED) STRUCTURES						
20.	Fairfax County [3]	Virginia	3,000	93.0	Owner/Operator	2021	2015
21.	Onondaga County [3]	New York	990	39.2	Owner/Operator	2035	2025
22.	Huntington [3]	New York	750	24.3	Owner/Operator	2019	2027
23.	Babylon	New York	750	16.8	Owner/Operator	2019	2027
24.	Southeast Connecticut [3]	Connecticut	689	17.0	Owner/Operator	2017	2017
25.	Marion County [3]	Oregon	550	13.1	Owner/Operator	2017	2017
	SERVICE FEE (OPERATED) STRUCTURES						
26.	Pinellas County [3]	Florida	3,150	75.0	Operator	2024	2024
27.	Miami-Dade County [2][5]	Florida	3,000	77.0	Operator	2023	N/A
28.	Honolulu [2][8]	Hawaii	2,950	90.0	Operator	2032	2033
29.	Lee County [8]	Florida	1,836	57.3	Operator	2024	2028
30.	Montgomery County [5][8]	Maryland	1,800	63.4	Operator	2021	N/A
31.	Hillsborough County	Florida	1,800	46.5	Operator	2029	2025
32.	Long Beach	California	1,380	36.0	Operator	2018	2018
33.	York County [3]	Pennsylvania	1,344	42.0	Operator	2020	2016
34.	Hennepin County	Minnesota	1,212	38.7	Operator	2018	2018
35.	Lancaster County	Pennsylvania	1,200	33.1	Operator	2017	2016
36.	Pasco County [3]	Florida	1,050	29.7	Operator	2024	2024
37.	Harrisburg [5]	Pennsylvania	800	20.8	Operator	2017	2034

38.	Burnaby	British Columbia	800	23.9	Operator	2025	2025
39.	Huntsville [4]	Alabama	690	—	Operator	2016	N/A
40.	Kent County	Michigan	625	16.8	Operator	2023	2023
41.	MacArthur [3]	New York	486	12.0	Operator	2030	2027
42.	Durham-York	Durham Region, Canada	480	17.4	Under Construction/Operator	2035	N/A
		SUBTOTAL	57,058	1,509.0			

Table of Contents

(1) Expiration dates are 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) These facilities use a refuse-derived fuel technology.

(3) For additional information related to recent changes in agreements related to these facilities, see Item 8. Financial Statements And Supplementary Data — Note 3. Growth and Contract Transactions.

(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 2015 and 2024.

(5) 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.

(6) This facility transitioned from a service fee (owned) to a tip fee contract effective January 2015.

(7) This facility is expected to cease operating as an energy-from-waste facility and convert to a transfer station in 2015.

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

New EfW Projects

Durham-York EfW Facility

During 2011, we began construction of a municipally-owned 480 metric ton-per-day greenfield EfW facility located in the Durham Region of Ontario, Canada and owned by our municipal clients, the Durham and York Regions. We are building the facility under the terms of a fixed-price construction contract for which we will be paid approximately C$250 million. The facility is expected to begin operations in early 2015, after which we will operate the facility under a 20 year service fee contract.

Pinellas County EfW Facility

In the fourth quarter of 2014, we were selected as the preferred bidder for a ten-year service fee contract to operate an existing 3,150 ton-per-day energy-from-waste facility located in Pinellas County, Florida and we assumed operations of the facility in December of 2014. During the early years of the contract, we will complete a number of projects, funded by our client, to improve the operating performance of the facility for which we will record additional revenue and expense.

Other Waste Management Infrastructure and Operations

In conjunction with our EfW business, we also own and/or operate 18 transfer stations (with aggregate capacity of approximately 25,000 TPD), one industrial waste treatment, storage and disposal facility, and four ash landfills, which we utilize to supplement and more efficiently manage the waste supply and ash disposal requirements at our EfW operations, and in some cases to expand our sustainable solutions service offerings.

New York City Waste Transport and Disposal Contract

We have executed a 20-year contract with the New York City Department of Sanitation to handle waste transport and disposal from two marine transfer stations located in Queens and Manhattan. Service for the Queens marine transfer station is expected to begin in early 2015, with service for the Manhattan marine transfer station expected to follow pending notice to proceed to be issued by New York City. The 20-year contract is effective from the date of commencement of operations, with options for New York City to extend the term for two additional five-year periods. When both transfer stations are operating at targeted capacity, we expect to handle approximately 800,000 tons per

year of municipal solid waste under the contract.

New York City owns and will operate the two marine transfer stations. Under our contract, we will operate the crane-loading of containerized waste onto marine barges from the pier at each of the marine transfer stations. Utilizing subcontractors, we will manage (i) delivering the waste containers via barge to a container terminal in New York Harbor, (ii) transloading the containers onto rail, and (iii) transporting the waste via rail to destinations for final disposal. We plan to utilize capacity at our Niagara and Delaware Valley EfW facilities for disposal of the waste, satisfying New York City's goal of reducing the amount of its waste going into landfills.

Table of Contents

Biomass Projects

We own and operate seven wood-fired generation facilities. Five of these facilities are located in California, and two are located in Maine. The combined gross energy output from these facilities is 165 MW. We generate income from our biomass facilities from sales of electricity, capacity, and where available, income from the sale of renewable energy credits. These facilities sell their energy output into local power pools or to local utilities at rates that are either fixed or float with the market.

At all of these projects, we purchase fuel at prevailing market rates which exposes us to fuel price risk. The price of fuel varies depending upon the time of year, local supply, and price of energy. Income at our biomass facilities is based on the margin between our cost, which is predominantly fuel and our revenue from selling the related output. Several of our biomass facilities are not currently operating because they are not profitable under market conditions. If market conditions deteriorate, we may shutdown additional biomass facilities, and if market conditions improve, we may re-start some or all of our biomass facilities. In each of the years 2014, 2013, and 2012, revenue from our biomass projects represented approximately 4% of our North America segment revenue.

OTHER PROJECTS

Outside the North America segment, we presently 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.

Energy-From-Waste Projects

In Ireland, we entered into agreements in September 2014 to build, own and operate a new 600,000 metric ton-per-year, 58 megawatt facility in Dublin, Ireland (the “Dublin Waste-to-Energy Facility”). We commenced construction of the facility in the fourth quarter of 2014, with operational commencement expected in late 2017. We expect to source residential, commercial and industrial waste from Dublin and the surrounding areas and sell electricity into the local electricity grid, with over 50% of the facility’s generation expected to qualify for preferential pricing under Ireland’s renewable feed-in tariff. Our agreement with Dublin is structured with substantial alignment of interest, such that both parties share in the financial success of the project and provide limited financial support in the event the project under performs expectations. Our total investment in the project is expected to be approximately €500 million, funded by a combination of third party non-recourse project financing (€375 million) and project equity (approximately €125 million). For additional information related to funding for this project, see Item 8. Financial Statements And Supplementary Data — Note 11. Consolidated Debt - Dublin Project Financing.

In China, we have equity interests in two EfW projects and have a 40% equity interest in Sanfeng Covanta, a company that provides a suite of engineering, construction and operating services and equipment sales to EfW facilities in China. Sanfeng Covanta also has a minority equity interest in an EfW facility in China.

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

		Location	Design Capacity Waste Processing (Metric TPD)	Gross Electric (MW)	Nature of Interest	Contract Expiration Dates Waste Service	Energy
	ENERGY-FROM-WASTE TIP FEE STRUCTURES						
1.	Dublin [1]	Ireland	1,800	58	100% Owner/Operator	2062	N/A
2.	Chengdu [2]	China	1,800	36	49% Owner/JV Operator	2033	N/A
3.	Tongxing [3]	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]	China	350	N/A	85% Owner/Operator	2034	2015
		SUBTOTAL	5,650	136			

(1) 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.

(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.

Independent Power Projects

In China, we have an 85% interest in a project company which owns and operates a 24 MW (gross) coal-fired facility, adjacent to our EfW facility in Taixing City, Jiangsu Province.

Table of Contents

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 80 facilities currently in operation that collectively process over 25 million tons of post-recycled solid waste and serve the needs of over 25 million people and produce enough electricity for the equivalent of 1.3 million homes. The use of EfW is even more prevalent in Western Europe and many countries in Asia, such as Japan. Nearly 1,000 EfW facilities are in use today around the world, processing approximately 200 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, slightly over half of which is hydroelectric power.

EfW contributes approximately 6% 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.

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. Furthermore, global demand and pricing of certain commodities, such as the scrap metals we recycle from our EfW facilities, can be materially affected by economic activity.

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 where continued operations are not currently profitable. We will continue to consider this practice.

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,							
	2014		2013		2012		2011	
Consumer Price Index [1]	0.8	%	1.5	%	1.7	%	3.0	%
PJM Pricing (Electricity) [2]	$56.99		$41.93		$34.76		$48.31	
NE ISO Pricing (Electricity) [3]	$64.58		$56.43		$36.08		$46.38	
Henry Hub Pricing (Natural Gas) [4]	$4.33		$3.72		$2.75		$4.04	
#1 HMS Pricing (Ferrous Metals) [5]	$355		$344		$368		$410	

(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

Table of Contents

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.

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 expenses 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 expenses 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 92% in 2014. We have historically performed 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, and safety and environmental performance.

Our ability to meet or exceed historical levels of performance at projects, and our general financial performance, is affected by the following:

- seasonal or long-term changes in market prices for waste, energy, or ferrous and non-ferrous metals for projects where we sell into those markets;
- our ability to operate at historic performance levels as our facilities age, and the extent to which our annual maintenance expenditures increase over time;
- our ability to avoid increases in operating and maintenance costs and unscheduled or extended outages while ensuring that adequate facility maintenance is conducted so that historic levels of operating performance can be sustained;
- seasonal or geographic changes in the price and availability of wood waste as fuel for our biomass facilities;
- seasonal, geographic and other variations in the heat content of waste processed, and thereby the amount of waste that can be processed by an EfW facility;
- contract counterparties’ ability to fulfill their obligations, including the ability of our various municipal and commercial customers to supply waste in contractually committed amounts, as well as to pay us for the services we provide;
- the availability of alternate or additional sources of waste if excess processing capacity exists at our facilities;
- our ability to extend or replace existing waste and energy contracts, and the extent to which prevailing market conditions result in decreased or increased pricing or adjustment of other terms under such contracts;
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- the success or lack of success in implementing our organic growth programs which are focused on growing our waste revenue, increasing our metal revenue, managing our assets and improving efficiency to reduce cost;
- the extent and success of our construction activity and the timing of payments we receive for such activity; and
- the availability and adequacy of insurance to cover losses from business interruption in the event of casualty or other insured events.

General financial performance at our international projects is also affected by the financial condition and creditworthiness of our international customers and partners, fluctuations in the value of the domestic currency against the value of the U.S. dollar, and political risks inherent to the international business.

Table of Contents

Waste, Energy and Metals Markets - With respect to our existing waste-related businesses, including our EfW and waste procurement businesses, we compete in waste markets which 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 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.

With respect to our sales of electricity and other energy products, we currently sell the majority of our 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 recent 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 which 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.

Table of Contents

Several long-term trends are expected to affect U.S. natural gas prices; including shale gas production, storage capacity, liquefied natural gas ("LNG") exports, and 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.

With respect to our sales of ferrous and non-ferrous metals recovered from our operations, we generally enter into short-term contracts with either end-users (i.e., mills) or brokers who sell to end-users. We compete in selling metals 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 deploy and operate a diverse number of mass-burn waste combustion technologies. For EfW projects we have developed in North America, we have used the proprietary mass-burn combustion technology of Martin GmbH fur Umwelt und Energietechnik, referred to herein as “Martin.” Through our investment in Sanfeng, we also have non-exclusive access to certain of Martin’s mass-burn combustion technology in China. We believe that our know-how and worldwide reputation in the field of EfW and our know-how in designing, constructing and operating EfW facilities of a variety of designs and incorporating numerous technologies, rather than the use of a particular technology, are important to our competitive position in the EfW industry.

Through facility acquisitions, we own and/or operate EfW facilities which utilize various technologies from several different vendors, including non-Martin 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, which 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, such as our modular system, CLEERGAS™ (“Covanta Low Emissions Energy Recovery Gasification”).

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 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

Table of Contents

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.

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 expenses, 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 has indicated that in 2015 it is planning to conduct a combined Risk and Technology Review for the large MWC source category and 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.

In December 2012, EPA finalized Commercial/Industrial Solid Waste Incinerator ("CISWI") and Industrial Boiler MACT rules which are applicable to our biomass facilities. The CISWI MACT rule is not expected to have a material effect on the profitability of the plants impacted. Boiler MACT rules are expected to require minor air pollution control modifications at one biomass facility and establish additional testing, monitoring and administrative requirements at all biomass plants, but are not expected to have a material effect on the profitability of those plants.

Proposed Revised Ground Level Ozone Standards — On November 25, 2014, EPA proposed to revise and strengthen the National Ambient Air Quality Standards ("NAAQS") for ground-level ozone or “smog”. EPA has indicated that it expects to issue the final

Table of Contents

rules in October 2015. Once implemented by EPA and affected states, this rule could impact changes that we pursue to our existing air permits in the future.

Revised PM2.5 Rule — In 2006, EPA issued a final rule to implement the revised NAAQS for fine particulate matter, or PM2.5. While state implementation plans to meet this rule did not result in any new PM2.5 emission control requirements for existing MWCs, they could impact changes that we pursue to our existing air permits 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.

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.

Table of Contents

EPAct 2005 eliminated the limitation on utility ownership of QFs. Over time, this may result in greater utility ownership of QFs and serve to increase competition with our businesses. EPAct 2005 also extended or established certain renewable energy incentives and tax credits which might be helpful to expand our businesses or for new development.

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. Existing contracts entered into under PURPA are not impacted, but as these contracts expire, a significant and increasing portion of our electricity output will be sold at rates determined through our participation in competitive energy markets.

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:

- 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, especially with respect to our biomass business. 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 the absence of new legislative efforts, EPA is continuing to move forward with its regulation of GHGs under the Clean Air Act ("CAA"). In 2011, GHG emissions became subject to the Prevention of Significant Deterioration ("PSD") and Title V programs of the CAA. While the inclusion of GHGs under the Title V program does not introduce new requirements for existing facilities other than additional reporting requirements, the inclusion of GHGs under PSD will impact new facilities and potentially expansions of existing facilities. In 2013, EPA re-proposed GHG performance standards for new power plants. The newly proposed rule does not apply to biomass or MWC units and

the rule has not been finalized. In 2014, EPA proposed rules for existing power plants which set aggressive targets for states to reduce GHG emissions associated with fossil fuel-fired utility electricity generation. While these proposed rules do not apply to MWC units, they do provide states a pathway to include MWC units as compliance tools in their mandatory "State Plans" designed to achieve the GHG reduction goals established. We cannot predict at this time the potential impact to our business of EPA's regulatory initiatives under the CAA, or whether EPA's regulation will be impacted or superseded by any future climate change legislation. We continue to closely follow developments in this area.

While the political discussion in Congress, as well as at the state and regional levels, has not been aimed specifically at waste or EfW businesses, regulatory initiatives developed to date have been broad in scope and designed generally to promote renewable energy, develop a certified GHG inventory, and ultimately reduce GHG emissions. Many of these more developed initiatives have been at the state or regional levels, and some initiatives exist in regions where we have projects. For example:

Table of Contents

- 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. In 2013 and 2014, regulatory amendments were finalized to exclude EfW facilities from the cap-and-trade program through the end of 2015. However, the treatment of EfW facilities beyond 2015 is uncertain at this time.

Other Regulations

Most countries have expansive systems for the regulation of the energy business. These generally include provisions relating to ownership, licensing, rate setting and financing of generation and transmission facilities.

We provide waste and energy services through environmentally-protective project designs, regardless of the location of a particular project. Compliance with environmental standards comparable to those of the United States are often conditions to credit agreements by multilateral banking agencies, as well as other lenders or credit providers. The laws of various countries include pervasive regulation of emissions into the environment and provide governmental entities with the authority to impose sanctions for violations, although these requirements are generally different from those applicable in the United States. See Item 1A. Risk Factors — Exposure to international economic and political factors may materially and adversely affect our international businesses and — Compliance with environmental laws, including changes to such laws, could adversely affect our results of operations.

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.

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

Table of Contents

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, 2014, we employed approximately 3,500 full-time employees worldwide, the majority of which were employed in the United States. Of our employees in the United States and Canada, approximately 8% are represented by organized labor. Currently, we are party to 10 collective bargaining agreements: one which expired in 2014 has been mutually extended and is still in good-faith negotiations; one expires in 2015; five expire in 2016; two expire in 2017; and one expires in 2019. We consider relations with our employees to be good.

Table of Contents

EXECUTIVE OFFICERS OF THE REGISTRANT

A list of our executive officers and their business experience follows. Ages shown are as of February 1, 2015

Name and Title	Age	Experience
Anthony J. Orlando President and Chief Executive Officer [1]	55	President and Chief Executive Officer since October 2004. Mr. Orlando was elected as one of our directors in September 2005 and is a member of the Public Policy and Technology Committee. Previously, he had been President and Chief Executive Officer of Covanta Energy since November 2003. From March 2003 to November 2003, he served as Senior Vice President, Business and Financial Management of Covanta Energy. From January 2001 until March 2003, Mr. Orlando served as Covanta Energy's Senior Vice President, Waste-to-Energy. Mr. Orlando joined Covanta Energy in 1987.
Bradford J. Helgeson Executive Vice President and Chief Financial Officer	38	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.
Seth Myones Executive Vice President and Chief Operating Officer	56	Executive Vice President and Chief Operating Officer since March 2012. Mr. Myones served as Covanta Energy's President, Americas, which was comprised principally of Covanta Energy's domestic business, from November 2007 to March 2012. Mr. Myones served as Covanta Energy's Senior Vice President, Business Management, from January 2004 to November 2007. From September 2001 until January 2004, Mr. Myones served as Vice President, Waste-to-Energy Business Management for Covanta Projects, Inc., a wholly-owned subsidiary of Covanta Energy. Mr. Myones joined Covanta Energy in 1989.
Timothy J. Simpson Executive Vice President, General Counsel and Secretary	56	Executive Vice President, General Counsel and Secretary since December 2007. Mr. Simpson served as Senior Vice President, General 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	48	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

Neil C. Zieselman Vice President and Chief Accounting Officer	39	contract negotiations, business operations and business marketing and development for the Metro NY, NJ and Philadelphia market areas. 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.

(1) In January 2015, Covanta announced its CEO succession plan which calls for Anthony J. Orlando to step down from his role as Chief Executive Officer in March 2015 at which time Stephen J. Jones will become Covanta's President and Chief Executive Officer and a member of the Board of Directors. Mr. Orlando will remain on the Board of Directors.

Table of Contents

Item 1A. RISK FACTORS

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

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.

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 all of these revenues 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.

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.

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 disposal contract with New York City, 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; and
- reliance on joint venture parties or technology providers with whom we have limited experience.

Table of Contents

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 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.

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 2015 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 revenues. 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.

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 you 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 you that such contract terminations will not occur in the future.

Some of our EfW projects involve greater risk of exposure to performance levels which, if not satisfied, could result in materially lower revenues.
At our EfW facilities where tip fee structures exist, we receive 100% of the energy revenues they generate. As a result, if we are unable to operate these facilities at their historical performance levels for any reason, our revenues from energy sales could materially decrease.

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. For additional information on the tip fee contract structure, see Item 1. Business — North America Segment — Energy-from-Waste Projects.

Table of Contents

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 U.S. Environmental Protection Agency 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.

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 shareholder value.

As of December 31, 2014, we had approximately $2.2 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 revenues, 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

Table of Contents

of solid waste collectors or haulers that are competing for disposal facilities or enable such collectors or haulers to use wholesale 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.

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.

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.

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.

Table of Contents

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
- 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.

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

As of December 31, 2014, we had $486 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. For additional information related to our NOLs, see Item 8. Financial Statements And Supplementary Data — Note 15. Income Taxes.

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

Table of Contents

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.

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 revenues 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

Table of Contents

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 revenues 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 revenues received, the costs incurred, or both, in connection with the project could be recovered through sales to other purchasers. For more information on energy regulations applicable to us, see Item 1. Business — Regulation of Business — Regulations Affecting Our North America Segment - Energy Regulations.

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.

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

Significant changes in weather patterns and volatility could have a positive or 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 expenses, 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.

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.

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.

Table of Contents

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. For more information on these restrictions, see Item 8. Financial Statements And Supplementary Data — Note 11. Consolidated Debt.

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.

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 revenues 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.

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.

Our insurance and contractual protections may not always cover lost revenues, increased expenses 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 revenues, increased expenses 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.

Table of Contents

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 which 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 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 104,000 square feet of office space in Morristown, New Jersey. In addition, we own 83 acres of undeveloped land in California. As of December 31, 2014, we owned, had equity investments in and/or operated 74 projects in the North America segment consisting primarily of 42 EfW operations, four ash landfills, 18 transfer stations, one treatment, storage and disposal facility, seven wood waste (biomass) energy projects and two water (hydroelectric) energy projects. Principal projects are described above under Item 1. Business — North America Segment. Projects in the North America segment which we own or lease are conducted at properties, which we also own or lease, aggregating approximately 1,752 acres, of which 1,415 acres are owned and 337 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, 2014, we are the part owner/operator of four international projects with businesses conducted at properties which are either leased or have land rights aggregating to 67 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 19. Commitments and Contingencies, which information is incorporated herein by reference.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

Table of Contents

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 20, 2015, there were approximately 965 holders of record of our common stock. On February 20, 2015, the closing price of our common stock on the New York Stock Exchange was $21.31 per share. The following table sets forth the high and low stock prices of our common stock for the last two years.

	2014			2013		
	High	Low	Dividend Declared	High	Low	Dividend Declared
First Quarter	$18.78	$16.42	$0.18	$20.26	$18.33	$0.165
Second Quarter	$21.00	$17.36	$0.18	$21.30	$18.94	$0.165
Third Quarter	$21.73	$20.23	$0.25	$21.89	$19.74	$0.165
Fourth Quarter	$25.35	$20.56	$0.25	$21.71	$16.70	$0.165

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.

In 2013, we increased the authorization for share repurchases to a total of $150 million. During the year ended December 31, 2013, we repurchased 1.7 million shares for approximately $34 million at a weighted average cost per share of $19.37. We did not repurchase shares of common stock during the second half of fiscal 2013 or in 2014. As of December 31, 2014, the amount remaining under our currently authorized share repurchase program was $116 million.

During each of the years ended December 31, 2014 and 2013, we repurchased 0.02 million and 0.5 million shares of our common stock, respectively, in connection with tax withholdings for vested stock awards.

Unregistered sales of equity securities and use of proceeds

During the three months ended December 31, 2014, 1,274,138 shares of our common stock were issued in connection with exercises of warrants issued as part of the 3.25% Notes offering for an aggregate of 1,430,870 shares of common stock issued upon exercise of such warrants during the year ended December 31, 2014. The warrant exercises were net share settled, meaning that we delivered to the warrant holders a number of shares for each warrant equal to the excess (if any) of the volume weighted average price of our common stock on each exercise date over the then effective strike price of the warrants, divided by such volume-weighted average price of our common stock, with a cash payment in lieu of fractional shares. Accordingly, we did not receive any proceeds from the exercise of the warrants. The shares of common stock issued upon exercise of the warrants were issued in reliance on the exemption from registration provided by Section 3(a)(9) of the Securities Act of 1933, as amended, and no underwriters were used in connection with the warrant exercises. For additional information related to the warrants, see Note 11 Consolidated Debt — 3.25%

Cash Convertible Senior Notes due 2014.

Table of Contents

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 below reflects comparative information for the five fiscal years beginning with the close of trading on December 31, 2009 and ending December 31, 2014.

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.

** The Dow Jones US Waste & Disposal Services Index and the Dow Jones US Conventional Electricity Index are maintained by S&P Dow Jones Indices LLC. 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.

Table of Contents

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,				
	2014	2013	2012	2011	2010
	(In millions, except per share amounts)				
Statements of Operations Data:					
Operating revenues	$1,682	$1,630	$1,643	$1,650	$1,583
Operating expenses [2]	$(1,538)	$(1,408)	$(1,366)	$(1,409)	$(1,411)
Net (write-offs) gains	$(64)	$(15)	$57	$—	$(34)
Operating income [2]	$144	$222	$277	$241	$172
Loss on extinguishment of debt	$(2)	$(1)	$(3)	$(1)	$(15)
(Loss) income from continuing operations [2]	$(1)	$42	$138	$98	$44
(Loss) income from discontinued operations, net of taxes [2]	$—	$(52)	$(20)	$129	$26
Net (loss) income [2]	$(1)	$(10)	$118	$227	$70
Net loss (income) from continuing operations attributable to noncontrolling interests in subsidiaries	$(1)	$1	$(2)	$(5)	$(5)
Net loss from discontinued operations attributable to noncontrolling interests in subsidiaries	$—	$—	$—	$(3)	$(4)
Net (loss) income attributable to Covanta Holding Corporation [2]	$(2)	$(9)	$116	$219	$61
Net (loss) income attributable to Covanta Holding Corporation stockholders:					
Continuing operations [2]	$(2)	$43	$136	$93	$39
Discontinued operations [2]	—	(52)	(20)	126	22
Net (loss) income attributable to Covanta Holding Corporation [2]	$(2)	$(9)	$116	$219	$61
Basic (Loss) Earnings per share attributable to Covanta Holding Corporation:					
Continuing operations [2]	$(0.01)	$0.33	$1.03	$0.66	$0.25
Discontinued operations	—	(0.40)	(0.15)	0.89	0.14
Covanta Holding Corporation [2]	$(0.01)	$(0.07)	$0.88	$1.55	$0.39
Diluted (Loss) Earnings per share attributable to Covanta Holding Corporation:					
Continuing operations [2]	$(0.01)	$0.33	$1.02	$0.66	$0.25
Discontinued operations	—	(0.40)	(0.15)	0.88	0.14
Covanta Holding Corporation [2]	$(0.01)	$(0.07)	$0.87	$1.54	$0.39

Cash dividend declared per share	$0.86	$0.66	$0.60	$0.30	$1.50
Weighted average common shares outstanding:					
Basic	130	129	132	141	153
Diluted	130	130	133	142	154

Table of Contents

	As of December 31,				
	2014	2013	2012	2011	2010
	(In millions, except per share amounts)				
Balance Sheet Data:					
Cash and cash equivalents	$91	$195	$235	$220	$119
Restricted funds held in trust	$196	$167	$214	$191	$233
Assets held for sale	$—	$71	$137	$144	$306
Property, plant and equipment, net [2]	$2,653	$2,621	$2,543	$2,406	$2,459
Total assets [2]	$4,204	$4,380	$4,527	$4,385	$4,675
Long-term debt	$1,973	$2,085	$2,015	$1,486	$1,565
Project debt	$247	$236	$317	$680	$803
Liabilities held for sale	$—	$49	$65	$56	$94
Total Covanta Holding Corporation stockholders equity [2]	$782	$902	$1,042	$1,075	$1,120
Shares of common stock outstanding	133	130	132	136	150

	For the Years Ended December 31,				
	2014	2013	2012	2011	2010
	(In millions)				
Cash Flow Data:					
Net cash flow from continuing operations provided by (used in):					
Operating activities	$340	$324	$357	$376	$405
Investing activities	$(235)	$(258)	$(222)	$(118)	$(246)
Financing activities	$(207)	$(111)	$(132)	$(418)	$(450)
Purchase of property, plant and equipment:					
Maintenance capital expenditures	$101	$87	$85	$80	$74
Other capital expenditures [1]	115	101	41	38	41
Total purchase of property, plant and equipment	$216	$188	$126	$118	$115

(1) See Item 7. Management's Discussion And Analysis Of Financial Condition And Results of Operations — Liquidity — Supplementary Financial Information — Free Cash Flow (Non-GAAP Discussion) for details related to other capital expenditures.

(2) As revised for the years ended December 31, 2013 and prior. See Item 8. Financial Statements and Supplementary Data - Note 1. Organization and Summary of Significant Accounting Policies.

Table of Contents

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 (formerly known as Covanta Energy Corporation) 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.

Our mission is to provide sustainable waste and energy solutions. We intend to pursue our mission through the following key strategies:

- Preserve and grow the value of our existing portfolio;
- Expand through acquisitions and/or development in selected attractive markets;
- Develop and commercialize new technology;
- Advocate for public policy favorable to energy-from-waste and other sustainable waste solutions;
- Allocate capital efficiently for long-term shareholder value; and
- Maintain a focus on sustainability.

For a discussion of these strategies and the execution on these strategies in 2014, see Item. 1. Business — Strategy and Business — 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 revenues and operating expenses 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 revenues, expenses 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 3. Growth and Contract Transactions, our business development initiatives, contract transitions, and acquisitions resulted in various transactions which are reflected in comparative revenues and expenses. These factors must be taken into account in developing meaningful comparisons between the periods compared below.

The Results of Operations discussion below compares our revenues, expenses 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.
- "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.

Table of Contents

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 REVENUES:						
Waste and service revenues	$1,032	$1,008	$1,030	$1,006	$24	$24
Recycled metals revenues	93	73	93	73	20	20
Energy revenues	460	431	423	401	29	22
Other operating revenues	97	118	95	115	(21)	(20)
Total operating revenues	1,682	1,630	1,641	1,595	52	46
OPERATING EXPENSES:						
Plant operating expenses	1,055	992	1,023	959	63	64
Other operating expenses	101	97	98	92	4	6
General and administrative expenses	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	64	15	50	15	49	35
Total operating expenses	1,538	1,408	1,482	1,364	130	118
Operating income	$144	$222	$159	$231	$(78)	$(72)
Plus: Net write-offs	$64	$15	$50	$15		
Operating income excluding Net write-offs:	$208	$237	$209	$246	$(29)	$(37)

Operating Revenues

Waste and Service Revenues

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

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

- same store revenues increased by $14 million, or 1.5%, primarily driven by $11 million in price improvement, primarily due to contract escalation and special waste growth, and $6 million in higher volume, offset by a decrease of $2 million in other revenues;
- 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.

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

Table of Contents

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. Certain amounts may not total due to rounding.

Recycled Metal Revenues

For the twelve month comparative period, recycled metal revenues on both a consolidated and North America segment basis increased by $20 million. This increase was almost entirely driven by higher same store revenues 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 Revenues (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 Revenues

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

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

- same store revenues 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;
- 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.

Table of Contents

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

	Year Ended December 31,									
	2014			2013				Variance	
	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 Revenues

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

Operating Expenses

Plant Operating Expenses

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

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

- same store plant operating expenses increased by $11 million, impacted by higher fuel expense incurred primarily as a result of cold weather in the first quarter of 2014 ($6 million), insurance recoveries in Q2 2013 ($3 million), higher hauling and disposal costs ($3 million), and increased bad debt reserves ($2 million), partially offset by lower operating lease expense ($2 million);
- contract transitions increased plant operating expenses by $1 million due to reduced client pass-through costs; and
- transactions increased plant operating expenses by $11 million.

Plant operating expenses from non-EfW operations in our North America segment increased by $41 million, with additional expenses from transfer stations acquired in the fourth quarter of 2013 ($15 million), higher wood fuel cost at our biomass facilities ($3 million), higher employee incentive compensation ($14 million), and other expenses related to increased revenue as noted above ($11 million), partially offset by the benefit of higher renewable energy credits which are accounted for as a contra-expense ($2 million).

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

North America Segment (in millions):

	For the Years Ended December 31,		
	2014	2013	Variance
Plant Operating Expenses:			
Plant maintenance [1]	$244	$232	$12
All other	779	727	52

Plant operating expenses	$1,023	$959	64

41

Table of Contents

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

Other Operating Expenses

Other operating expenses in our North America segment increased by $6 million for the twelve month comparative period with lower construction expenses ($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).

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

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-off (Gains).

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-off (Gains).

Operating Income

Excluding the net write-offs discussed above, operating income decreased by $29 million on a consolidated basis for the twelve month comparative period. In our North America segment, operating income decreased by $37 million, with higher contribution from EfW operations ($9 million) offset by lower profit from construction activities, higher employee incentive compensation expenses, third party consultant costs incurred to implement long-term cost efficiency improvements (see Item 1. Business — Execution on Strategy — Efficiency Improvements), and certain one-time gains realized in 2013. Outside of our North America segment operating income improved by $7 million primarily due to lower development spending and increased steam sales at a facility in China.

Table of Contents

RESULTS OF OPERATIONS — OPERATING INCOME
Year Ended December 31, 2013 vs. Year Ended December 31, 2012

	Consolidated		North America		Variance Increase (Decrease)	
	2013	2012	2013	2012	Consolidated	North America
	(In millions)					
OPERATING REVENUES:						
Waste and service revenues	$1,008	$1,010	$1,006	$1,008	$(2)	$(2)
Recycled metals revenues	73	72	73	72	1	1
Energy revenues	431	394	401	367	37	34
Other operating revenues	118	167	115	156	(49)	(41)
Total operating revenues	1,630	1,643	1,595	1,603	(13)	(8)
OPERATING EXPENSES:						
Plant operating expenses	992	967	959	934	25	25
Other operating expenses	97	157	92	140	(60)	(48)
General and administrative expenses	82	78	80	74	4	6
Depreciation and amortization expense	209	194	207	191	15	16
Net interest expense on project debt	13	27	11	26	(14)	(15)
Net write-offs (gains)	15	(57)	15	(57)	72	72
Total operating expenses	1,408	1,366	1,364	1,308	42	56
Operating income	$222	$277	$231	$295	$(55)	$(64)
Plus: Net write-offs (gains)	$15	$(57)	$15	$(57)		
Operating income excluding Net write-offs (gains):	$237	$220	$246	$238	$17	$8

Operating Revenues

Waste and Service Revenues

Waste and service revenues decreased by $2 million on both a consolidated and North America segment basis. Within our North America segment, waste and service revenues from EfW operations decreased by $7 million, with lower revenue earned explicitly to service project debt ($12 million) and the net impact of service contract transitions ($3 million) partially offset by an $11 million or 1.2% increase (0.5% from price and 0.7% from volume) in same store revenue.

Consolidated (in millions):	For the Years Ended December 31,		
	2013	2012	Variance
Waste and service revenue unrelated to project debt	$973	$963	$10
Revenue earned explicitly to service project debt - principal	30	39	(9)
Revenue earned explicitly to service project debt - interest	5	8	(3)
Total waste and service revenue	$1,008	$1,010	(2)

North America Segment - EfW Facilities - Tons Received [1] (in millions):	For the Years Ended December 31,		
	2013	2012	Variance
Contracted	$15.0	$15.2	$(0.2)
Uncontracted	3.5	3.3	0.2
Total Tons	$18.5	$18.5	—

(1) Includes solid tons only.

43

Table of Contents

Recycled Metal Revenues

Recycled metal revenues increased slightly primarily due to higher volume of recovered metals as a result of the installation of new non-ferrous recovery systems ($4 million), offset by lower recycled metal market pricing ($3 million).

Recycled Metal Revenues (in millions):	For the Quarters Ended	
	2013	2012
March 31,	$16	$20
June 30,	17	18
September 30,	19	17
December 31,	21	17
Total for the Year Ended December 31,	$73	$72

	Year Ended December 31,			
	Metal Revenue by Type (in millions)		Tons Sold by Type (in thousands) [1]	
	2013	2012	2013	2012
Ferrous Metal	$56	$58	311	309
Non-Ferrous Metal	17	14	20	15
Total	$73	$72		

(1) Covanta share only.

Energy Revenues

Energy revenues in our North America segment increased by $34 million, with $31 million from our EfW facilities and $3 million from our biomass facilities. The average energy price was essentially flat in 2013. The increase in EfW energy revenues was primarily driven by service contract transitions that increased our share of the energy revenue at certain facilities ($23 million), increased energy production in same store revenues ($5 million) and an increase due to transactions ($2 million). Consolidated energy revenues included $3 million of higher revenue from our international projects.

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

	Year Ended December 31,									
	2013			2012			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	$39	1.0	16 %	$36	0.9	16 %				
Contracted	268	3.6	59 %	250	3.5	63 %				
Hedged	31	0.8	13 %	21	0.4	8 %				
Total EfW	$338	5.3	88 %	$307	4.8	87 %	$31	0.5		
Biomass										
At Market	$18	0.4	6 %	$13	0.4	7 %				
Contracted	45	0.3	6 %	47	0.4	6 %				
Total Biomass	$63	0.7	12 %	$60	0.8	13 %	$3	(0.1	)	
Total	$401	6.0	100 %	$367	5.6	100 %	$34	0.4		

(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 Revenues

The decrease of $41 million in other operating revenues in the North America segment was primarily due to lower construction revenue with the Honolulu facility expansion project commencing commercial operations in 2012. Consolidated other operating revenues further decreased by $8 million primarily due to lower revenues from our insurance subsidiaries, whose remaining business was transitioned to run-off during 2012.

Table of Contents

Operating Expenses

Plant Operating Expenses

Plant operating expenses in our North America segment increased by $25 million, including $6 million in plant maintenance expense and $19 million in other plant operating expenses. The increase in other plant operating expenses was driven by higher hauling and disposal costs for ash and bypassed waste ($16 million) and other same store cost escalation ($12 million), as well as increased costs from service contract transitions ($14 million), partially offset by higher renewable energy credits which are accounted for as a contra expense which are accounted for as a contra expense ($12 million), and lower operating lease expense ($11 million) resulting from the acquisition of the Delaware Valley EfW facility in the fourth quarter of 2012.

Consolidated plant operating expenses included $2 million of higher operating expenses from our international projects.

North America Segment (in millions):	For the Years Ended December 31,		
	2013	2012	Variance
Plant Operating Expenses:			
Plant maintenance [1]	$232	$226	$6
All other	727	708	19
Plant operating expenses	$959	$934	25

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

Other Operating Expenses

Other operating expenses in our North America segment decreased by $48 million primarily due to lower construction expense ($29 million) for the same reason noted above, an energy contract termination payment recorded as a contra expense ($8 million), and the net change in pension plan settlement expense related to the termination of our defined benefit pension plan ($17 million), partially offset by lower property insurance recoveries. On a consolidated basis, other operating expenses further decreased due to lower operating expenses at our insurance subsidiaries, whose remaining business was transitioned to run-off during 2012.

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

Net Write-offs (Gains)

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-off (Gains).

During the year ended December 31, 2012, we recorded non-cash write-offs (gains) totaling $(57) million consisting of a net gain of $44 million related to the termination of the pre-existing lease in connection with the Delaware Valley EfW acquisition, a non-cash write-off of an intangible liability in connection with a contract amendment for our Essex County EfW facility, which resulted in a gain of $29 million, offset by a non-cash write-off of $16 million representing the capitalized costs of a suspended renewable fuels project. For additional information, see Item 8. Financial Statements And Supplementary Data — Note 14. Supplementary Information — Net Write-off (Gains).

Operating Income

Operating income excluding net write-offs (gains) for 2013 was $237 million, compared to $220 million in the prior year period. The increase of $17 million was due to lower interest expense on project debt ($14 million), offset by the net impact of the factors described above.

Table of Contents

CONSOLIDATED RESULTS OF OPERATIONS — NON-OPERATING INCOME ITEMS
Years Ended December 31, 2014, 2013, and 2012
Other Expenses:

	For the Years Ended December 31,			Variance Increase (Decrease)	
	2014	2013	2012	2014 vs 2013	2013 vs 2012
	(In millions)				
CONSOLIDATED RESULTS OF OPERATIONS:					
Investment income	$(1)	$—	$(1)	$(1)	$ 1
Interest expense	125	118	94	7	24
Non-cash convertible debt related expense	13	28	25	(15)	3
Loss on extinguishment of debt	2	1	3	1	(2)
Other expenses (income), net	1	(4)	(3)	5	(1)
Total other expenses	$140	$143	$118	(3)	25

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, partially offset by lower interest expense related to our Term Loan. Interest expense increased for the year ended December 31, 2013, compared to the year ended December 31, 2012, primarily due to the higher interest expense of $31 million related to the 6.375% Senior Notes, Tax-Exempt Bonds and Term Loan issued in 2012.

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. Non-cash convertible debt related expense increased for the year ended December 31, 2013 compared to the year ended December 31, 2012, primarily due to net changes to the valuation of the derivatives associated with the 3.25% Cash Convertible Senior Notes.

The components of loss on extinguishment of debt are as follows (in millions):

	For the Years Ended December 31,		
	2014	2013	2012
Credit Facility refinancing [1]	$2	$1	$2
Project Debt refinancing [2]	—	—	1
Total loss on extinguishment of debt	$2	$1	$3

(1) Comprised of the write-off of deferred financing costs in connection with previously existing financing arrangements. See Liquidity and Capital Resources below.

(2) Comprised of the write-off of unamortized premium on refinanced project debt, net of expensed financing costs on new tax-exempt bonds and additional interest payments for refinanced project debt. See Liquidity and Capital Resources below.

For the years ended 2013 and 2012, other (income) expense included a $4 million gain related to a distribution received from an insurance subsidiary grantor trust and $3 million foreign currency exchange gain related to intercompany loans, respectively. For additional information, see income tax expense discussion below and see Item 8. Financial Statements And Supplementary Data — Note 15. Income Taxes.

Income Tax Expense:

	For the Years Ended December 31,			Variance Increase (Decrease)	
	2014	2013	2012	2014 vs 2013	2013 vs 2012
	(In millions, except percentages)				

CONSOLIDATED RESULTS OF OPERATIONS:					
Income tax expense	$15	$43	$31	$(28)	$ 12
Effective income tax rate	388 %	55 %	19 %		

The income tax expense decrease for the year ended December 31, 2014, compared to the year ended December 31, 2013, was primarily due to lower pre-tax income for the year ended December 31, 2014. The income tax expense increase for the year ended December 31, 2013, compared to the year ended December 31, 2012, was primarily due to the absence of the tax benefit in 2013

Table of Contents

from the Delaware Valley EfW acquisition that gave rise to the net gain on the settlement of a pre-existing lease in 2012 and the income tax impact of our unrecognized tax positions for the year ended December 31, 2013. For additional information, see Item 8. Financial Statements And Supplementary Data — Note 3. Growth and Contract Transactions.

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

	For the Years Ended December 31,			Variance Increase (Decrease)	
	2014	2013	2012	2014 vs 2013	2013 vs 2012
	(In millions, except per share amounts)				
CONSOLIDATED RESULTS OF OPERATIONS:					