

COVANTA HOLDING CORPORATION
AUDIT COMMITTEE CHARTER
(As of December 2006)

The Audit Committee of the Board of Directors of Covanta Holding Corporation shall consist of a minimum of three Directors. Members of the Audit Committee shall be appointed annually by the Board of Directors upon the recommendation of the Nominating Committee and may be removed or replaced by the Board of Directors in its discretion. The members of the Audit Committee shall meet the independence and financial experience requirements for Audit Committee members under the rules of the New York Stock Exchange (“NYSE”) and applicable SEC rules and regulations.

The purpose of the Audit Committee shall be to assist the Board of Directors in its oversight of the integrity of the financial statements and accounting processes of the Corporation, of the Corporation’s compliance with legal and regulatory requirements, of the independence and qualifications of the independent auditor, and of the performance of the Corporation’s internal audit function and independent auditors.

In furtherance of this purpose, the Audit Committee shall have the following authority and responsibilities:

1. To discuss with management and the independent auditor the annual audited financial statements and quarterly financial statements, including matters required to be reviewed under applicable legal, regulatory or NYSE requirements.

2. To discuss with management and the independent auditor, as appropriate, earnings press releases and financial information and earnings guidance provided to analysts and to rating agencies.

3. To recommend, for shareholder ratification, the independent auditor to examine the Corporation’s accounts, controls and financial statements. The Audit Committee shall have the sole authority and responsibility to select, oversee, compensate, evaluate and if necessary replace the independent auditor. The Audit Committee shall review and evaluate the lead partner of the independent auditor. The Audit Committee shall have the sole authority to approve all audit engagement fees and terms and the Audit Committee, or a member of the Audit Committee, must pre-approve any non-audit service provided to the Corporation by the Corporation’s independent auditor.

4. To discuss with management and the independent auditor, as appropriate, any audit problems or difficulties and management’s response, and the Corporation’s risk assessment and risk management policies, including the Corporation’s major financial risk exposure and steps taken by management to monitor and mitigate such exposure.

5. To review the Corporation’s financial reporting and accounting standards and principles, significant changes in such standards or principles or in their application and the key accounting decisions affecting the Corporation’s financial statements, including alternatives to, and the rationale for, the decisions made.

6. To review and approve the internal corporate audit staff functions and internal audit and financial control procedures.

7. To review, with the Corporation's chief financial officer or such others as the Audit Committee deems appropriate the Corporation's internal system of audit and financial controls and the results of internal audits.

8. To obtain and review at least annually a formal written report from the independent auditor delineating: the auditing firm's internal quality-control procedures; any material issues raised within the preceding five years by the auditing firm's internal quality-control reviews, by peer reviews of the firm, or by any governmental or other inquiry to investigation relating to any audit conducted by the firm. The Audit Committee will also review steps taken by the auditing firm to address any findings in any of the foregoing reviews.

9. To annually obtain, in order to assess auditor independence, a written statement from the Corporation's independent auditor that delineates all relationships between the independent auditor and the Corporation, and to review such written statement and present its findings to the Board of Directors.

10. To prepare and publish an annual Audit Committee report in the Corporation's proxy statement and SEC periodic reports.

11. To set policies for the hiring of employees or former employees of the Corporation's independent auditor.

12. To review and investigate any matters pertaining to the integrity of management, including conflicts of interest, or adherence to standards of business conduct as required in the policies of the Corporation. This should include (i) oversight of the Corporation's implementation of its Policy of Business Conduct, (ii) review and approval of any changes to the Corporation's Policy of Business Conduct relating to policy implementation, and (iii) regular reviews of the compliance processes in general and the corporate ombudsman process in particular. In connection with these reviews, the Audit Committee will meet, as deemed appropriate, with the general counsel and other Corporation officers or employees.

The Audit Committee shall meet separately at least quarterly with management, with the internal audit staff and also with the Corporation's independent auditors.

The Audit Committee shall have authority to retain such outside counsel, experts and other advisors as the Audit Committee may deem appropriate in its sole discretion. The Audit Committee shall have sole authority to approve and receive funding for related fees and retention terms.

The Audit Committee shall establish procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters, as well as for confidential, anonymous submissions by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

The Audit Committee shall report its recommendations to the Board of Directors after each Audit Committee meeting and shall conduct and present to the Board of Directors an annual performance evaluation of the Audit Committee. The Audit Committee shall review at least annually the adequacy of this Charter and internal control procedures and recommend any proposed changes to the Board of Directors for approval.

The Audit Committee may adopt such additional procedures, consistent with this Charter, as the Audit Committee deems appropriate.

This Audit Committee Charter will be made available on the Corporation's website at www.covantaholding.com.