

Consultation on changes to packaging recycling business targets for paper, steel, aluminium, wood and overall recovery and recycling for 2018-20

The Environment Exchange (t2e) provides the UK's marketplace for Packaging Recovery Notes and Packaging Export Recovery Notes (PRNs). In 2016 in excess of 1.4 million tonnes of PRNs were traded through its spot and five forward markets. t2e has over 450 participants which include all of the major UK packaging compliance schemes (22), reprocessors and exporters (165) as well as a substantial proportion (42.5%) of the UK's individually obligated companies.

Although the views expressed in this consultation are those of t2e, they reflect the views of its participants who have been informally consulted verbally.

t2e continues to advocate that if the UK wishes to meet the environmental challenges posed by used packaging and remain broadly equivalent in environmental standards with the EU in a post-Brexit world, the PRN system is the most cost-effective and efficient system for the delivery of these ambitions. Furthermore it is sufficiently flexible to be adjusted should there be a requirement to do so but caution should be exercised before eroding its chief benefit of simplicity.

t2e supports DEFRA's analysis other than to identify the use of corrugated cardboard is estimated by the paper industry to be increasing globally by 2% annually, to assume some of this growth (1% annually) will occur within the UK would seem appropriate.

t2e supports the principle of increasing the targets for paper, steel, aluminium and overall recovery and recycling to keep them in line to achieve the targets in the Circular Economy Directive. In addition it supports the ambition of aligning all the material specific targets to avoid one packaging material cross-subsidising another, one of the intentions of the Directive when initially introduced.

t2e therefore recommends that DEFRA adopt the targets in Option 3 with the recovery and general recycling targets in Option 2. These higher targets will not only keep the UK in line to meet the Circular Economy targets but also increase the alignment of material specific targets. In addition the high recovery and general recycling targets will encourage the growth of paper and wood recycling while allowing sufficient flexibility to compensate for the unexpected and allow adjustment if necessary at a later date.

t2e would also like to use this opportunity to raise a couple of issues not mentioned within the consultation:

1. There has been much mention of transparency of the use of PRN funds. This aspiration has been partially based on a mis-identification that PRN funds sit in a central pool which is distributed on a case by case basis to deserving projects. Additionally concerns are expressed that funds are failing to trickle down the system to collectors and local authorities in particular.

While there is nothing to suggest that the PRN system is failing to deliver on its current objectives, t2e is increasingly of the opinion that there is merit in requesting accredited reprocessors and exporters to make a public statement annually indicating how their funds if received would be spent and/or had been spent. t2e is encouraging all its participant exporters and reprocessors to do this.

2. To be aligned with the Circular Economy package consideration will be needed about how re-use of packaging might be measured. Until such discussions have taken place with the constant inroads made on wood reprocessing made by the biomass industry, DEFRA may wish to step cautiously in increasing the wood targets substantially.
3. Due to shipping and other problems, the growth of export markets has not occurred in secondary raw materials as rapidly as might have been anticipated despite the increase in prices in £ terms. Not unexpectedly the growth in collection has lagged these price increases. If collections do not rise during 2017, while quality maintained, it is inevitable that there will be PRN price increases in 2018, if not earlier. The additional PRN funds may focus on expanding collection but will remain a small proportion of the funds received by local authorities in comparison to those raised from council tax and sales of secondary raw materials. Furthermore they will fall where the contracts lie.

t2e's response to DEFRA's specific questions are below.

Q1. In your view, are the estimates made in the Flow reports for waste arisings the best available data?

If as far as I recall the Packflow reports also take into account changes in packaging placed on the market submitted by obligated industry, yes.

Q1a. Are you aware of any other factors which may affect the level of packaging waste entering the waste stream?

Please provide us with as much evidence as possible to support your answer, so we can adjust our figures as necessary.

The paper industry estimates the global growth of corrugated cardboard use will increase by 2% annually even after taking account for lightweighting. While much of this growth is anticipated to take place outwith the UK, predominantly in the Far East, it would still seem reasonable to anticipate that some of that expansion of use will occur in the UK, particularly with the increase in internet shopping, a cautious growth figure might be 1%.

Q2. In your view, are there other factors which may affect the levels of obligated tonnage reported? Please provide us with as much evidence as possible to support your answer, so we can adjust our figures as necessary.

There still seems a significant gap between packaging materials estimated to be placed on the market and that reported by obligated businesses. While the activities of the Agencies and the packflow reports have gone some way to reducing this, an anxiety remains that 'free-riding' continues to be a problem.

Q3. Do you have any additional information or evidence to improve the analysis of the costs and benefits?

No. Other than a comment that if Option 1 was adopted then PRN values could recede to administrative levels reducing both incentives to recycle and for reprocessors and exporters to participate, hence reducing the quality of information provided by the PRN data.

Q4. What is your preferred option? And why?

Please provide us with as much evidence as possible to support your answer, so we can adjust our figures, and take additional information and factors into account as necessary.

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	2018 Business Target	2019 Business Target	2020 Business Target
Paper	70.0%	71.0%	72.0%
Aluminium	58.0%	61.0%	64.0%
Steel	78.0%	80.0%	82.0%
Wood	25.0%	28.0%	31.0%
Total Recovery	80.0%	82.0%	85.0%
General Recycling	73.6%	75.4%	78.2%

PRN prices cascade through three, and for glass four, levels. The lowest common denominator is recovery. The increase of the recording of domestic recovery, alongside the growth of RDF exports, will ensure that it is unlikely that recovery PRNs will increase above administrative levels. General Recycling is the pool into which all PRNs other than Recovery fall if they are in surplus of their material specific targets. The level at which it sits depends on the targets, the surpluses to the material specific targets generated and the minimum levels at which secondary raw material industries think that it remains worthwhile to remain involved with the system. In 2016 although a substantial element of the general recycling pool has been made up by paper and wood, all other materials are currently selling into this pool.

Only if a material is struggling to make its material specific target, or in the case of glass additionally if it is struggling to meet the glass remelt target, can that material effectively determine its own price. If the shortfall becomes substantial, this varies by material and the amount of the compliance year that has past, then prices can escalate significantly.

Hence the growth of all recycling will be stimulated by challenging general recycling targets as well as potentially keeping paper and wood recycling as well as all the other materials on line to meet Circular Economy targets while allowing sufficient flexibility to adjust if necessary due to unanticipated movements between packaging materials or global economic impacts. Also it allows adjustments at a later date should re-use targets be introduced.