

Market Status 2008

By Tom Rickerby



The last 6 weeks has seen the development of a price picture on t2e's WEEE Evidence Note (WEN) market. The removal of all fees for a trial period has helped to introduce several of those who were uncertain of the merits and most schemes now seem to be slowly warming to the benefits of having a simple to use, safe trading platform outside of the Settlements Centre. As a result the market is now showing bids and offers in most categories. This is half of the battle won.

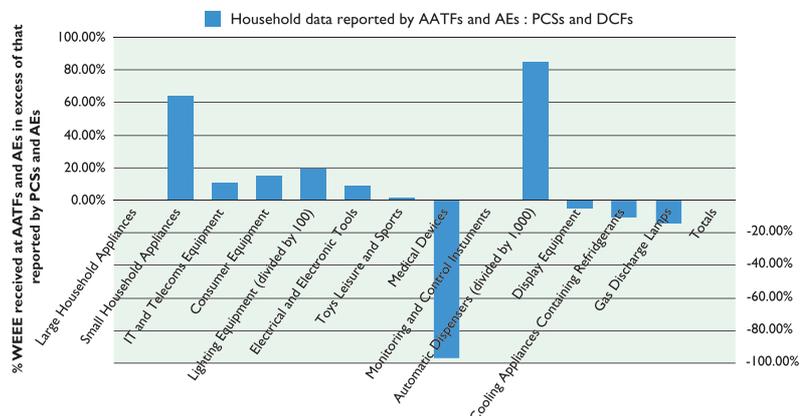
However, the more telling half, that of developing actual transaction prices is still being stifled by the same issues that plagued last year's market. The discrepancy between PCS reported collections and AATF figures has left many unsure of whether they will be buyers or sellers in some categories. As a result trading is unlikely to happen until after obligations have been confirmed on 1 May. Bilateral trading of WENs is occurring relatively freely mainly between smaller PCSs, albeit in small volume. Swapping is also a popular method of exchange for the mixed WEEE categories. However, unlike trading through a marketplace neither of these two methods produce a market price as a result the debate over what is deemed a 'fair' market price, which can be used for dispute resolution, rages on and it looks like it may continue right up to the compliance deadline again this year particularly amongst the larger schemes. One result of this divergence of opinions means that bids, offers and reported prices vary greatly – a summary of which can be seen below.

Category	1	2, 3, 4, 6, 7 & 9	10	11	12	13	5 & 8
Price Range £	5 - 15	90 - 180	110 - 170	220 - 280	140 - 230	1400 - 1800	n/a

Cat 1 seems to be a particularly contentious with many buyers placing a nominal value on the evidence due to the historic high commodity value of the collected WEEE. This is opposed by sellers seeking a better price to cover the cost of collection, transport and an element attributed to actual treatment itself as well as the reduction in price of the commodities. Regional variations in transport costs seem to account for many of the differences in prices across all categories. Nevertheless when pricing evidence PCSs should be averaging the cost of their WENs rather than solely trying to sell their highest price WENs or trying to buy WENs at the lowest cost in their portfolio. Some suspect that many prices reported at the lower end of the price ranges may also fall outside of the necessary recycling and recovery rate. However such evidence is not permitted to be traded through t2e.

Confirmation of PCS obligations should bring further confidence and activity to the market and we are hopeful that this will lead to visible trading in the final month of the compliance year. Watch this space...

Percentage difference by category between household data reported in 2008 by AATFs and AEs and PCSs and DCFs



Regardless of your turnover, if you import into the UK, or make, Electrical or Electronic Equipment (EEE) then WEEE Evidence Notes apply to you.

To trade dial 0844 800 9943 (calls charged at up to 5p a minute from a BT line)

WEEE Quarterly report - Managing Directors comments



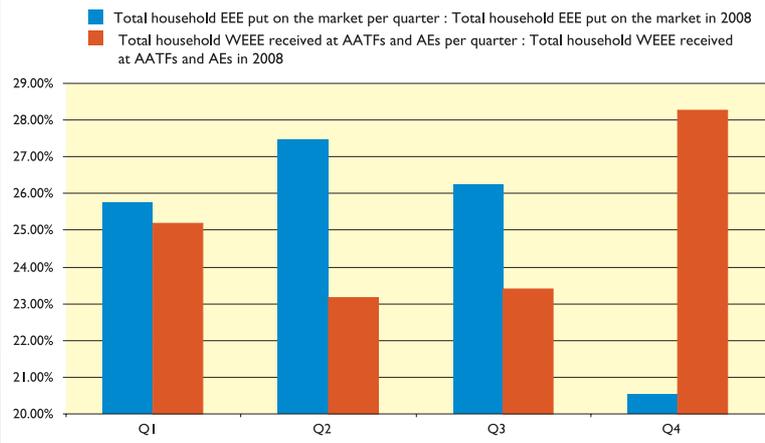
I must apologise because we have missed a couple of copies of the WEEE quarterly. This is partially because although much collection has gone on, approximately 6.7 kg per capita in 2008, well above the target figure of 4kg, little has developed in the way of trading. In fact there still seems every prospect that many of the same problems that occurred last year will re-occur this year. This problem has been exacerbated by data issues but while factual they act as a foil while everyone waits to see how or if the major protagonists will come to an agreement. The longer the delay the smaller the number of prospective sellers there are in the market as all AATFs and AEs are forced to issue their WENs by 30 April and ultimately every seller must find a buyer and vice versa so there is less time pressure for PCSs, while there might be cash flow problems

for those waiting for funds – a very lopsided situation. It is not clear how the proposed revisions to the regulations will relieve these problems although some of the revisions on data collection will hopefully reduce bureaucratic burdens and increase accuracy. Fundamental changes to the settlement centre might achieve that more effectively.

Little effort has gone into establishing a fair and equitable system in which to trade or resolve trading disputes, although it has been accepted by many that this must be a way forward, with a preference to rely on the Government to resolve everything. It is far swifter and simpler to use a regulated exchange than a judicial review to achieve compliance or a 'fair' market price. It is in the interests of all participants in the regulations to have an accepted and transaction based transparent 'fair' market price for WENs. It is counter intuitive for a Government regulation to deliberately create an opaque market. Different circumstances might justify a PCS paying more or less than the market price to an AATF or AE, for example the PCS may or may not have paid for the collection of the WEEE from the DCF. Nevertheless by the time it comes to trading between compliance schemes the price as the average cost of the total evidence acquired per category should be similar for all schemes rather than aiming for the highest or the lowest price of evidence acquired.

The first full year of data has highlighted, and possibly reinforced, some facts. Almost 3.5 kg of household WEEE is put on the market for every kg of non-household WEEE. The dominant household categories in tonnage terms are I, II and 12, large household appliances, display and cooling equipment. Between them they make up over 80% by weight of household WEEE collected, and just over 60% in total of what is put on the market. They achieve overall recycling rates of 25, 60 and 45% respectively which may suggest some double counting. The recession reduced collection rates in the fourth quarter by in excess of 20% in comparison to the average of the previous three quarters and increased the quantity placed on the household market by almost the same amount. Sadly it is unclear whether or not AATFs met their recovery and recycling obligations per category. Independent auditors report that a considerable amount of work still needs to be done on agreed approaches and standards before this can be accurately reported.

Comparison by quarter of total household EEE put on the market to total household WEEE collected in 2008



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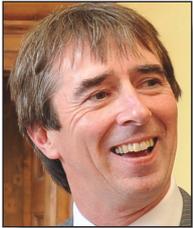
The recently completed consultation asked about the future role of the DTS. While at the moment there is a more than adequate collection network to meet the European collection targets that will change radically if the proposed target of 65% by weight of all EEE put on the market is accepted. The UK currently recycles about 25%. There will either need to be more DCFs or DCFs will need to collect more or a combination of both. So there would appear to be a role for the transfer of funds from distributors to collection points. The question remains whether that role is best served in a competitive environment by a single entity, run by a PCS, or distributors joining PCSs, who will then take on the role of expanding the collection network with improvements at standard costs available to private and public DCFs alike as no doubt distributors, producers and PCSs will wish to explore a variety of collection mechanisms.

Thank you for your support. With one consultation complete, another one underway and the end of the 2008 compliance period looming a lot will happen in the next few months. Throughout we at t2e look forward to being of service to you. Many thanks to Phil Conran for his pertinent comments on both WEEE and the new batteries legislation. We look forward to seeing you at Futuresource in June.

Angus Macpherson
Managing Director

WEEE

By Phil Conran, Director, 360 Environmental Ltd

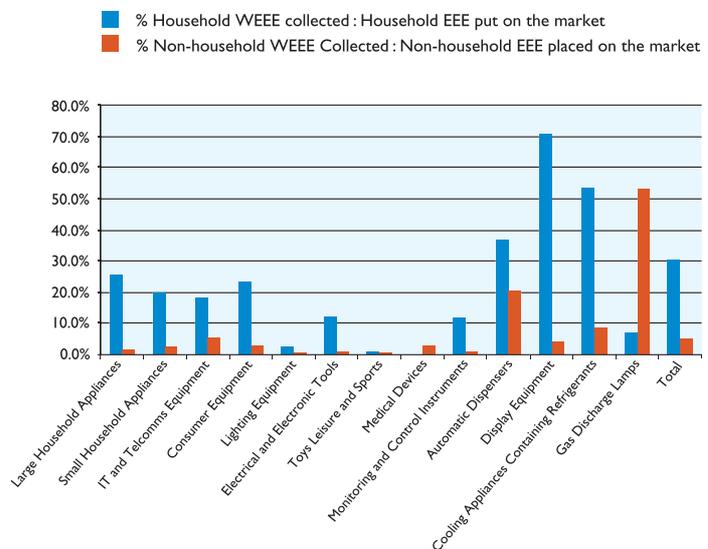


When the WEEE Regulations were unleashed on to a sceptical audience towards the end of 2006, there were some obvious areas of concern. But given the universal agreement that there was no simple solution to the transposition of a camel – a horse designed by committee – there was general acceptance that we just had to get on with it and it would sort itself out. Two years on, and where have we got to? Are the UK Regulations more effective than those in other member states and are they sustainable? The answer to both would appear to be yes – and no. The concept of a strategic aim being resolved by a competitive market has, in government eyes, been demonstrated by the Packaging Waste Regulations – although some would argue that they have yet to be properly tested – maybe this will be the year!

With WEEE, however, the Directive applied a fundamental blockage to a free market system – the requirement for every collected tonne to be paid for by producers. Most would seem to agree that the Regulations provided the basis for a perfectly workable solution. The vexed question of over/under collection was recognised from the beginning but, naively perhaps, the majority expected it to be ‘reasonably’ resolved under clear guidelines that would be adhered to by all stakeholders. It quickly became clear, however, that different views would be applied to the rights of the various parties. This all came to a bad tempered head in the middle of 2008 when resolution for 2007 was only secured through some last minute headbanging that at least gave the authorities the opportunity to clear the 2007 decks, but by no means solved the problem. So here we are again, one month from completion of the 2008 compliance period and where do we stand? Well for 2009, it would seem that most compliance schemes are now playing the game and either have sufficient WEEE supply in place through their own collections or through agreements with other schemes that satisfy the Agencies requirements for equivalence. The evidence system works, WEEE is being treated and we are exceeding the EU collection targets by some margin. Against this, data management systems are dysfunctional, there appears to be significant leakage, B2B isn’t working, reuse seems to have suffered – and we have a Judicial Review hanging over the system. And at this stage, it is hard to see all 2008 evidence being successfully balanced by 1 June.

The recently closed BERR consultation aims to address some of the issues, but is generally tinkering at the edges. The fundamental issue – that may or may not be resolved by the Judicial Review – seems unlikely to be dealt with through Regulatory amendments from the consultation. And it seems almost impossible to resolve. In a regulated market where someone somewhere has to buy any evidence generated, it is difficult to see there being any other solution to the current mess than either a Regulator on prices or complete transparency to justify the charges being made. At the end of the day, it is all down to cost and as long as people can see they are paying a fair price in relation to the costs incurred, it is difficult to see how the arguments can continue. Costs could be controlled and competitive and the system would be sustainable. It would also be nice if BERR and the EA could put together a decent data management system.

Comparison by category of household and non-household WEEE received at AATFs and AEs to EEE put on the market



Futuresource Exhibition 9 – 11 June 2009

We will be exhibiting at the Futuresource Exhibition at ExCel, London from the 9th to the 11th of June. Come and see us on stand F40 in the South Event Hall

Batteries Regulations –positive or negative?

By Phil Conran, Director, 360 Environmental Ltd



The problem with consultations is that people express views. It would be interesting to see the views that came out of the Batteries Consultation and whether the changes applied to the final Regulations reflect industry views or those of 'Government' in its loosest application.

The Regulations have ended up with some interesting challenges, not least of which, for potential schemes, is whether to be one or not. WEEE Schemes will all have members that will also be Batteries Producers although it is possible that many will fall below the threshold for scheme registration. It would therefore seem valid to question whether the registration process could be construed to be anti-competitive in making it virtually impossible for most WEEE schemes to justify applying for Batteries scheme approval. This presumably is the intention as with only 40k tonnes of portable batteries placed on the market each year, it is difficult to justify a multi scheme free for all when it is clear a more strategic approach is required. However, had I been running a WEEE scheme – perish the thought – it would have been frustrating to have to decide whether the non-returnable £17k application fee plus the £118k fixed annual registration fee was worth the risk if I had only ended up with 20 members. The trouble is, no one seems to know how many producers there will be above the threshold of 1 tonne per year onto the market. The decision by the Agencies to require all producers below the threshold to register with them is interesting given their strongly stated preference for all Packaging Producers to be registered through schemes and does seem to pull the rug out of the scheme's ability to spread the fixed fee load. It also creates an enormous gap between sub – 1 tonne producers who have to register for £30 and submit data once and those above that are likely to be paying upwards of £2k each, have to supply data quarterly and will have to finance collection, treatment, recycling and public information.

Another aspect of the Regulations that is puzzling is the application of voluntary targets for 2010 and 2011. Given the complete lack of battery collection infrastructure at the moment, one assumes that the temptation for schemes will be to shoot low, knowing that if they miss, they won't be prosecuted. If they aim for the target but get a higher score than expected, the scheme's members will be expected to pay for any 'surplus' tonnage collected by the scheme as it is unlikely anyone else would want to take on the costs if they didn't need to meet targets. DEFRA's reasoning seemed to be that they didn't want any scheme's collection activities to be constrained by targets. Sounds like a good policy for the Treasury.

Retailers have a mixed bag under these Regulations. The start date for free take back has been delayed to 1 February to allow them to get the 'busy period' out of the way, a move that has been welcomed by the BRC. And the threshold for batteries sold above which the free take back obligation applies has been raised from 16kgs to 32kgs per year. However, they have also removed the 280m² floorspace threshold. Now 32kgs of portable batteries per year is not very much. AA batteries weigh around 24gms, so you only need to sell – or think you might sell – around 25 AA batteries a week and you are caught. Quite how this will be policed is unclear and given that the vast majority of shops selling electrical equipment still have none of the mandatory WEEE notices on display, one wonders if this being given much priority, unless the schemes report them for not collecting batteries because they need all the batteries they can get. But for the big retailers that are both Distributors and Producers for WEEE, batteries and packaging, the producer responsibility burden is growing fast and it is difficult to see any more than the minimum being done without effective enforcement.



Phil Conran is running a Batteries Regulations Workshop on 20 May 2009.

Please visit the 360 Environmental Ltd website www.360environmental.co.uk to sign up for this event, learn more about producer responsibility legislation or to receive a copy of their newsletter.

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