

QUARTERLY REPORT

With seven month of the 2000 obligation year now passed, the PRN market picture is becoming clearer. Many obligated companies appear to have been purchasing their PRNs earlier than in previous years and reprocessors seem to have found some stability in their price expectations. Trading to the end of July totalled 40,000 tonnes in comparison to 6,500 for the same period last year.

This issue covers the following:

- 2000 PRN prices
- Managing Director's Comments
- OMEE PRN market statistics
- Forwards
- New Rulebook
- Forth-coming Events

2000 PRN prices

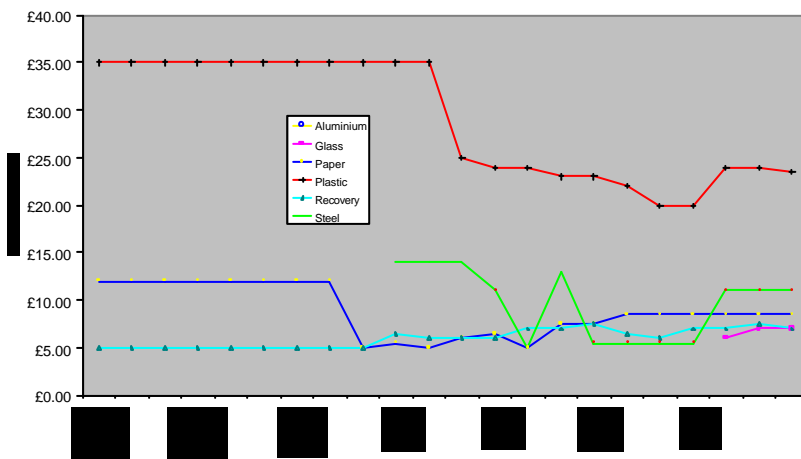
Below are the average PRN transaction prices for 2000 PRNs to date this year. Average PRN prices for 2000 continue to show a similar trend to 1999 PRNs, suggesting that the market is finding its price level as experience grows.

	1999 Average PRN Prices	2000 Average PRN Prices
Aluminium	£12.49	-
Glass	£5.35	£6.44
Paper	£6.12	£6.53
Plastic	£31.48	£21.26
Recovery	£5.92	£6.15
Steel	£6.82	£6.00

NOTE: All prices quoted above are volume weighted to give the most accurate average price picture. 2000 PRN average prices cover the period 1st January 2000 to 30th April 2000. Average prices for 2000 which are blank are as a result of no trading to date in that category.

Below is a graph showing the Trade Price History for 2000 PRNs

2000 PRN Trade Prices



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Managing Director's Comments:

OMEE has been busy this quarter. Trading has increased six-fold on the corresponding period last year. The total value of PRNs traded through OMEE passed £1 million at the end of July while the total tonnage traded pushed through the 100,000 mark some two weeks earlier. The total tonnage traded in 2000 PRNs has passed 40,000 tonnes, 80% of last year's total, in just 7 months. If this level continues we will comfortably break 100,000 tonnes this year.

Our survey of participants has shown that the total obligation will increase this year from last year by approximately 40%. Clearly the impact of wood on the packaging totals has had a major impact. At this stage it is difficult to anticipate the impact of wood reprocessors on PRN supply but potential demand and supply on OMEE remain broadly in balance. We await the results of the DETR survey in the Way Forward with interest.

Against this background it is good to see that average traded prices have remained consistent both during the year and in comparison to previous years.

I am extremely pleased that we are now in a position to launch trading in forward contracts in early September. This will allow reprocessors, exporters, obligated companies and their representatives to plan at known prices up to a year in advance. With this form of certainty available, you should ask your representatives to justify why the prices they are supplying you differ from the market prices available on OMEE.

In OMEE's response to the DETR consultation in May 2000 on the charging mechanism for registration fees for compliance scheme members we supported the implementation of a standard registration fee for members of compliance schemes.

We recommended that:

- new fee levels should be set at:

Individual Registration	£675
Compliance Scheme Registration	£540

- the Agencies make clear how they are spending their current producer responsibility income.

We did not support increasing the minimum membership size for compliance schemes from two. OMEE continue to advocate for the establishment of a central registrar for PRNs. This registrar could also take on responsibility for the accreditation of reprocessors and exporters which takes up 20% of the Agencies time. Furthermore VAT on PRNs remains a tax on a tax and investment activity.

On another note I remind you that if you are unclear on calculating your obligation you will find extremely useful advice in the packaging waste guidelines on the PPA web-site, which is linked to our web-site.

I look forward to meeting you once again during the autumn. In a busy period we are once again sponsoring the LARAC exhibition at Bournemouth on 24 and 25 October. I will also be speaking on Tradable Green Certificates at the Timber Growers Association Conference at Gleneagles on 6 September and the OMEE will also be at the Recycling and Waste Management Exhibition at Birmingham on 14 September.

Angus Macpherson
Managing Director

BRIDGING THE GAP BETWEEN BUYERS AND SELLERS

OMEE's PRN market statistics

Obligations

In the previous Quarterly OMEE produced the results of a survey carried out on participant reprocessors with regards to planned capacity growth over the next three years. This Quarter we bring you the results of the participant obligated company survey.

Of the 164 obligated companies who were members of the exchange at the end of March 2000, 99 returned their forms giving a 60% response rate. The survey asked obligated companies how their 2000 obligations have been affected by higher targets and by the inclusion of wood and other materials.

The message is quite clear that obligations are rising across all PRN types, although in 2000 Recovery is showing the largest increase with the inclusion of the wood and other material obligations. The chart (above right) shows 2000 PRN obligations vs 1999 obligations.

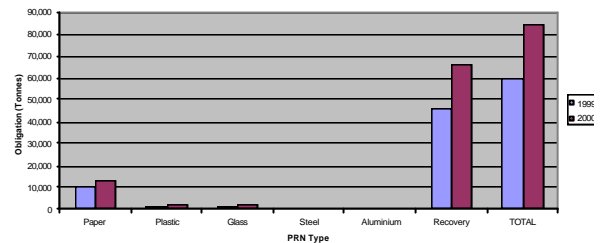
In addition to the individually obligated companies, OMEE membership includes 8 compliance schemes and a number of representatives. If the PRN requirements from these groups are included in the current and projected levels for 2000 and 2001 potential demand through the exchange reaches the 1 million tonne mark. Signs are that more and more of this volume will be traded through OMEE in future. The chart (right) shows anticipated PRN demand this year and next.

OMEE Volumes traded

During 2000 OMEE has continued to experience considerable trading growth in comparison to the same period in 1999. Until April of this year very little trading had occurred in PRN types other than paper and recovery. During May, June and July market activity has started to increase across the other material types.

The chart (right) depicts trading volumes in 2000 PRNs on a monthly basis.

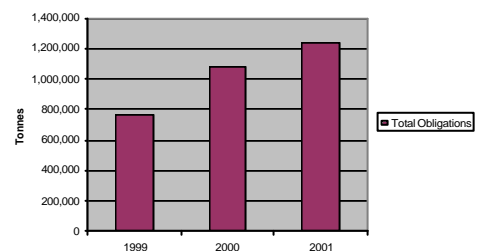
Company Obligations (2000 vs 1999)



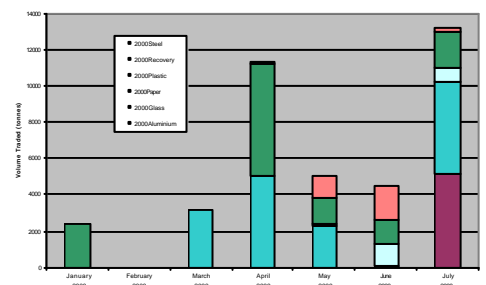
Note: the 60.37% response rate has been adjusted upwards to reflect a 100% response in order to estimate total obligations for participant companies.

The growth rate above has been calculated using individual OMEE participant predictions for each year. The volume data shown excludes Compliance Schemes and Representatives who may utilise OMEE.

Total PRN Obligations on OMEE



2000 PRN Volume Traded



The chart (right) depicts trading volumes in 2000 PRNs on a monthly basis.

Forwards

The forwards market is now in place. This new contract gives participants the chance to trade PRNs in one of two ways.

Participants can continue to trade on the spot market which has been operational since November 1998, or should they wish, can now buy forward.

The difference between a forward contract and a spot contract is the time at which delivery of both the PRN and the funds is made. With the spot market when you trade both the buyer and seller are immediately required to pay for or deliver the PRNs. With the forward market the buyer and seller agree to buy or sell the PRNs but don't actually exchange funds for PRNs until a set point in the future.

Should you require further information on this please call OMEE (020 7815 3879) and we will be happy to provide you with details.

New Rulebook

With the introduction of forward PRNs now under way it has been necessary to introduce a new rulebook in order to cover these new contracts. All existing market participants will be required to sign the new agreement in order to continue to trade on OMEE after 4th September 2000.

The new rulebook will enable OMEE to launch new products in the future without requiring existing participants to sign additional agreements.

Forth-coming Events

OMEE will be exhibiting at the following shows and we look forward to seeing many of you there:

Recycling & Waste
Management Exhibition
(Stand 765)

NEC, Birmingham 12th - 14th September

EMF 2000 (Stand 19)

Olympia, London 17th October

For further information, Please contact :

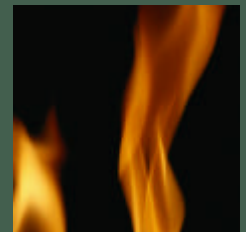
James Blunt

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