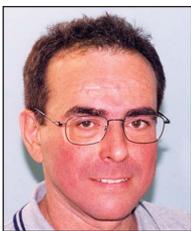


Quarterly Report

Issue No 19
Autumn 2003



Market Status May to July **The Price Slide has Continued**

by Cliff Laundon

Prices have continued what to some appears to be their inexorable slide. The pattern of trading remained largely unchanged from earlier in the year: Modest volumes punctuated with large volume selling into low priced bids.

Prices in Wood/Other, Recovery, Paper and Plastic prices all showed the same downward trend over the quarter with slight resistance, easily broken, at the £5 level in Paper and Plastic.

Glass prices remained around the £13 level in modest volume during May and June before softening to £10 during July.

Steel prices remained in the £10-11 range during May and June in modest volume, before softening to £8 in July. Aluminium prices have held steady at around the £13-16 level, but in very light trading.

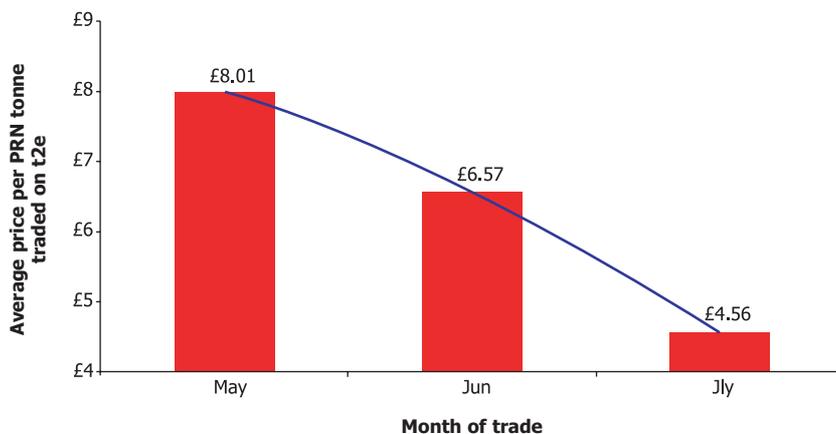
Towards the end of the quarter volume buying came to the market at well below prevailing market prices. However as sellers have seen the market continue to drift, these prices are beginning to look more attractive.

Not surprisingly, the mood amongst sellers became more subdued, although hopes are held for firmer prices and better trading volumes in 2004.

At just over the half way mark in the trading year there is concern that some exporters and reprocessors may either cease trading altogether or decide that revenues from the PRN system do not justify the administrative burdens of accreditation and document issuing.

If these fears are realised to any significant extent 2004, or even Q4 of 2003, could be unpredictable.

2003 Obligation Trading - All PRN Classes



Average Prices	Paper	Plastic	Wood /Other	Recovery	Glass	Steel	Aluminium
May	£7.91	£7.12	£8.48	£7.59	£12.91	£9.99	£13.00
Jun	£5.99	£5.26	£5.31	£5.71	£12.87	£11.20	£14.22
July	£4.64	£3.93	£4.36	£4.00	£10.04	£8.04	£15.50



Managing Director's Quarterly Report

The last quarter has seen three significant events. The completion of the sale of a minority stake in t2e to Valpak. The confirmation of the targets from Europe –we are fortunate to have the comments of the rapporteur, Dorette Corby, in this quarterly - and the publication of a consultation on revisions to the UK's packaging waste regulations.

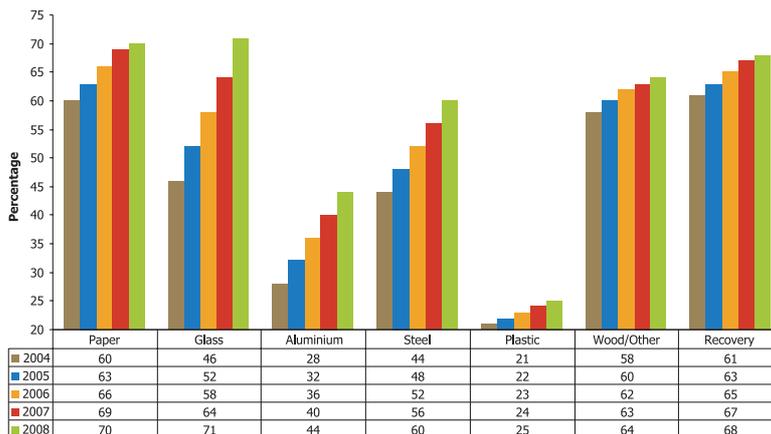
Following approval by the Secretary of State for Trade and Industry, I sold a 40% stake to Valpak. This was based on Valpak's stated commitment to t2e. We are now in the process of recruiting an independent Chairman.

The sale was approved on the following basis:

1. Valpak will have access to no trading information other than what is available to every other participant in the exchange.
2. The essential integrity of the exchange would not be compromised.
3. At no stage will Valpak have a controlling interest in the exchange.

National targets for 31 December 2008 have been agreed in Europe.

EU Target Directives



This is a relief as it gives a clear aim for everyone. Sadly Europe have opted for differentiated material specific targets these have little environmental justification, will undoubtedly increase costs for industry and run contrary to the original principles of the legislation since it legislates the cross-subsidy of environmental responsibilities between

different packaging materials. As a result there will be less incentive and funds to increase recycling of plastic and wood packaging.

The UK consultation looks to:

- include special waste, internally supplied and hired packaging in the regulations. This will narrow the expanding gap between reported tonnage and the packaging supplied to the UK market as reported by the materials organisations.
- combine the steel and aluminium obligations as a metals one. This is logical to conform with European legislation.
- introduce an on-line data system.
- make the PRN system statutory and raise funds so that the Agencies can monitor the system more effectively.

Without knowing how the £3.5 million the Agencies currently receive to regulate this legislation is spent, it is difficult to justify additional costs. Is the Government asking too much of their Agencies. Is it appropriate that they should be adviser, accreditor and regulator of the PRN system? It is not permitted elsewhere. Furthermore they have no jurisdiction outside the UK.

The proposed targets are feasible if challenging in some materials, particularly glass. But to put the overall recovery target lower than the glass and paper material specific targets is unworkable. There must be an overall recycling target as well as an overall recovery one, without it is conceivable that the UK might fail to comply with the overall European recycling target.

Thank you for your continuing support.


Angus Macpherson
Managing Director

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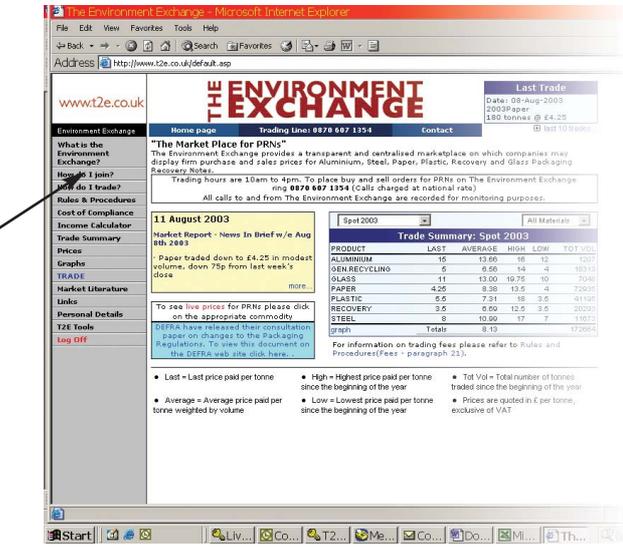
Join The Environment Exchange to buy or sell PRNs
by Lizzie Slater



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Whether you have access to the internet or not – you can join t2e. You may download the forms from our website, or, if you prefer, ring us on 0131 558 9650 and they can be sent to you.

It only takes one call from you.

We can send you a joining 'pack' of forms by post/fax or email. We contact you as soon as we have received your completed forms – to give you your password and discuss what you want to do next.

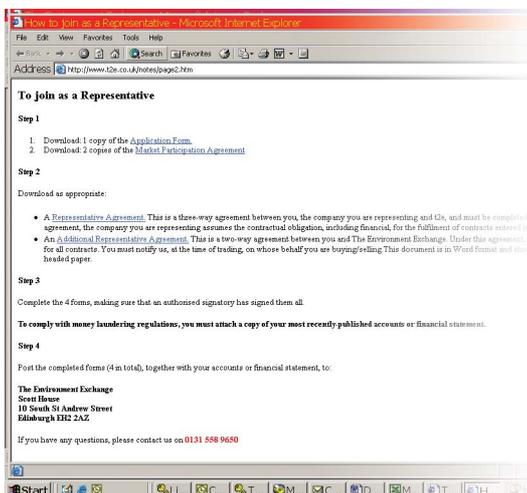
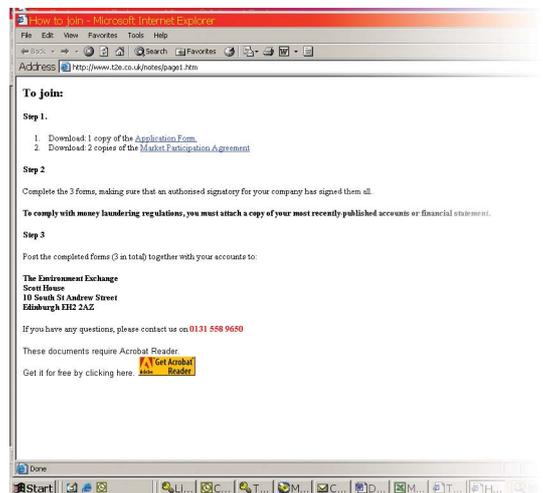
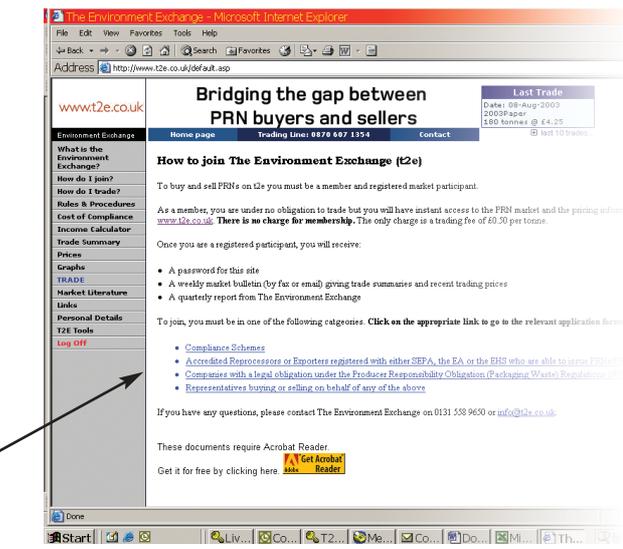
Let this PRN market work for you.

A call to our staff or a visit to www.t2e.co.uk can set this process in motion.

As a member although you are under no obligation to trade, you have instant access to the PRN market and the pricing information contained on www.t2e.co.uk and the security that all buying and selling transactions you conduct will be carried out under the demanding rules of The Environment Exchange.

As a registered participant, you receive :-

- A password for this site.
- A market bulletin giving trade summaries and recent trading prices.
- A quarterly report from The Environment Exchange.





Wrapping up the revision of the packaging directive

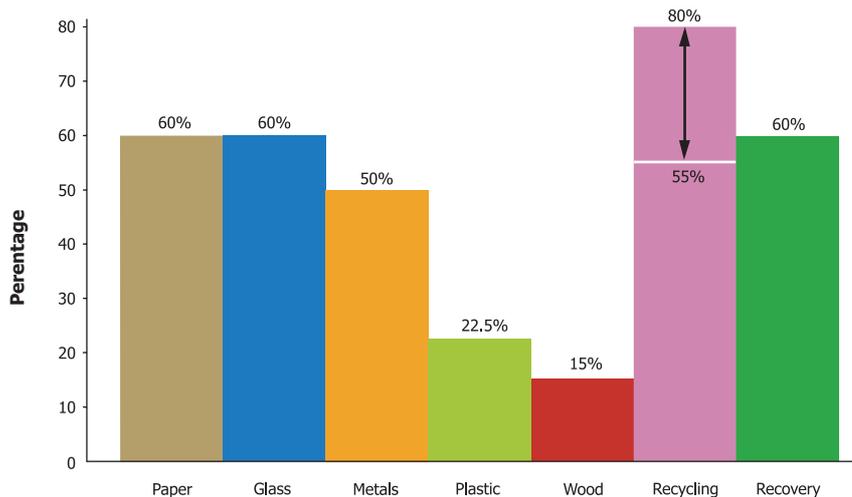
by Dorette Corbey MEP

EU Rapporteur on European Packaging

Almost everybody in Europe will have noted that the European Parliament met in Strasbourg during the first week of July. The start of the Italian Presidency did not happen unnoticed due to the emotional debate in the hemicycle and its aftermath. Far less known is the result of the vote of the European Parliament on the revision of the European Packaging and Packaging Waste Directive.

of prevention. The Commission proposal was limited in scope and aims to further increase the recovery and recycling targets for the next five-year phase. It introduced material-specific recycling targets for a number of specific packaging waste materials. In second reading the Parliament has reaffirmed the importance it attaches to an adequate prevention strategy.

EU Targets to be achieved by 31 December 2008



In the run up to the vote in Strasbourg I have met several times with colleagues from the political groups to reach a common agreement on the different issues on the table. The aim was to reach an agreement with the Greek Presidency so that the revision process could have been concluded before the summer recess. Unfortunately the Council did not take up the offer, despite the small differences of opinion. As a result Parliament adopted 12 amendments to the Council Common Position.

Parliament has made it very clear that it is not satisfied with the lack of progress on the side

maximum overall recovery target and raised the maximum overall recycling target from 70% to 80%. The Common Position also increased the material specific recycling target for plastics from 20% to 22.5%. The deadline is set at 31 December 2008.

Other issues include the definition of packaging, the targets for the acceding member states and the use of voluntary agreements. Parliament and Council now prepare for a conciliation procedure. In my opinion the differences are relatively small and can be resolved rather quickly. And this would be best for all stakeholders involved.



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