

Market Status – May 2007 to July 2007

By Ian Andrews



The eagerly awaited quarter two figures were released in record time and showed increased volume across all classes with the exception of Aluminium, which continues to be a problem. Aluminium exporters have now been given until the end of the year to provide the Agencies with the required documentation for equivalent standards, and it is hoped that this will take some pressure off a market which has seen prices increase month on month. For the first time we have seen the glass figure increase in quarter two which has led some sellers to realign their price expectations and sell forward into the October market.

Tonnages traded through t2e markets for the quarter are 64,929 Spot and 24,491 Forward, giving a combined total for the quarter of 89,420 tonnes.

Market material analysis:

Paper – traded in good volume for the quarter. After an initial increase in May, prices continued on a downward trend in June and July as supply remained buoyant. Forward market activity for the quarter was limited to a single trade in the October forward market.

Plastic – fair volume traded throughout the quarter. Prices remained steady in the face of uncertainty on supply within the export sector. Supply continues to outstrip demand, albeit at higher price levels.

Steel – a relatively quiet quarter saw selling volumes continue to remain high but a lack of buying. Prices for the quarter fell as the market struggled to find a price level that suited both buyers and sellers.

Glass – excellent volume traded this quarter as sellers realigned their price expectations in light of the buoyant second quarter reported figures. Good volume was traded in the July, October and January markets as sellers looked to secure prices forward.

Wood – traded in light volume throughout the quarter. Good selling volumes and a lack of material specific buying has seen wood competing successfully against paper to sell into general recycling obligations.

Recovery – struggled to compete with low priced recycling PRNs for the smaller obligations. Larger buyers were able to take advantage of the falling price in wood to secure good volume in the October forward market at a level of £1.50.

Aluminium – Significant trading remains elusive as sellers are scarce. The issue of equivalent standards haunts the export sector. As buying interest increases, prices continue to rise against a lack of selling across all markets.

	High this quarter	Low this quarter	Traded this quarter	YTD average traded price	Year to date total traded
PAPER MARKET					
Spot 07	£3.50	£2.75	26,104	£3.09	105,668
July Fwd	-	-	-	£3.87	27,000
Oct Fwd	£2.75	£2.75	4,000	£3.40	20,500
PLASTIC MARKET					
Spot 07	£15.00	£12.00	8,051	£10.10	15,730
July Fwd	-	-	-	£10.50	1,500
Oct Fwd	£13.00	£13.00	750	£13.00	750
STEEL MARKET					
Spot 07	£10.00	£6.00	2,368	£7.83	5,634
July Fwd	£7.00	£7.00	100	£11.58	600
Oct Fwd	£7.00	£7.00	100	£7.00	100
GLASS MARKET					
Spot 07	£27.50	£25.00	8,670	£24.51	31,059
July Fwd	£27.00	£27.00	2,250	£27.00	4,250
Oct Fwd	£27.00	£24.00	12,791	£24.65	12,791
Jan Fwd	£24.00	£24.00	2,000	£24.00	2,000
WOOD MARKET					
Spot 07	£3.50	£2.75	10,323	£3.13	45,467
July Fwd	-	-	-	£3.25	2,500
Oct Fwd	-	-	-	£3.25	3,000
RECOVERY MARKET					
Spot 07	£3.00	£1.75	8,664	£1.97	12,227
July Fwd	-	-	-	-	-
Oct Fwd	£1.50	£1.50	2,500	£1.50	2,500
ALUMINIUM MARKET					
Spot 07	£35.50	£32.00	749	£30.12	1,779
July Fwd	-	-	-	£20.00	100
Oct Fwd	-	-	-	-	-

**t2e will be at RWM at the NEC between the 11th and 13th of September 2007.
Come and visit us on Stand 1336 in Hall 18, and try out our interactive trading facility.**

If your company has a turnover in excess of £2 million and handles annually more than 50 tonnes of packaging then PRNs apply to you.
To trade dial 0870 607 1354, to join ring 0131 473 2330



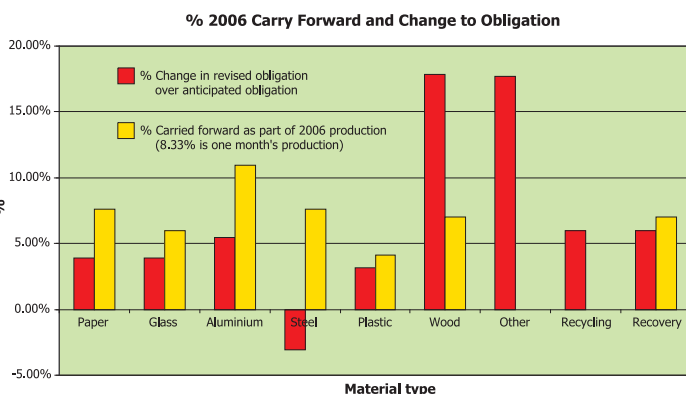
Managing Director's Quarterly Report

From every aspect this has been a busy quarter. The Advisory Committee on Packaging (ACP) has published its recommendations to the Minister; the revised first and second quarters reprocessing statistics have been published; we have at last got some idea of what the obligation may look like, although the carry forward remains and will continue to remain a bit of a mystery. The revised European transfrontier shipment of waste regulations have been introduced and there has been a revised ruling in the Court of Appeal which provides a legal test on when waste ceases to be waste in the UK.

The ACP's recommendations to the minister are like a curate's egg, some parts good, some bad. Some of their recommendations are about broader issues than packaging, for example the problem of material quality from MRFs. What is particularly disappointing is that they are in many cases a repetition of what they have been recommending for the last 10 years. Does this mean that the Government does not wish to listen to their own Advisory Committee?

whether a PRN is evidence that packaging has been recycled or recovered, the accepted definition by the majority of the market, or evidence of investment in packaging recycling infrastructure. Surely it is far more important and relevant to be confident that packaging has been recycled than where companies are investing their money?

Overall the second quarter figures reinforce the first quarter figures although there is a hint that a problem may be brewing in the Aluminium sector. Steel, paper, glass and wood appear to have all comfortably achieved their material specific obligations for 2008. Glass in particular has had a spectacular second quarter. Plastics may be a little more unpredictable. While the figures look comfortable there are stories that the export sector is struggling with prices dropping by some 20 – 30% due to confusion about China's response to the revision of the EU's Transfrontier Shipment Regulations. Additionally imports from Hong Kong, the normal route from the UK, are being restricted due to Chinese Regulatory pressure.



Their recommendation to introducing an administrative penalty system has merit, although wide ranging implications, as does the introduction of an independent packaging data unit. To give credit where it is due subsequent to the introduction of the NPWD the publication of reprocessing information by the Agencies has become significantly swifter. Concerns still remain about the quality of that information. Equally the introduction of plastic protocols is overdue although given that WRAP found 23% of recycled plastic could not be traced to its origins there remain significant problems in the recovered plastic industry.

It is disappointing that they are still striving to get all obligated companies into compliance schemes. It is difficult to see any merit in this recommendation. Their call to stop price support as a legitimate use of PRN funds highlights that confusion continues within their ranks as to

Even though the obligation is higher this year than anticipated the market has already factored this in. The significant rise in the wood and aluminium figures may cause some surprise or satisfaction. The lack of knowledge of the exact carry forward may have a significant effect on the aluminium market where the provisional carry forward was the equivalent of almost two months PRN production. If it is incorrect then aluminium availability in the current year becomes more critical.

New Money Laundering Regulations have been introduced. As a result we are reviewing the participation criteria of 'good standing' for a company.

I thank Aymeric for giving this quarterly its Gallic flavour. He has provided a new angle and some interesting analysis. It reinforces the view that there are many facets to packaging minimisation. One consequence of which is that more (packaging) brings about less (environmental impact). Packaging minimisation is clearly an issue of as much significance in France as it is in the UK.

Once again thank you for your support this quarter. I sense there is still considerable trading to be done this year in both the spot and the forward markets. I look forward to seeing you at RWM.

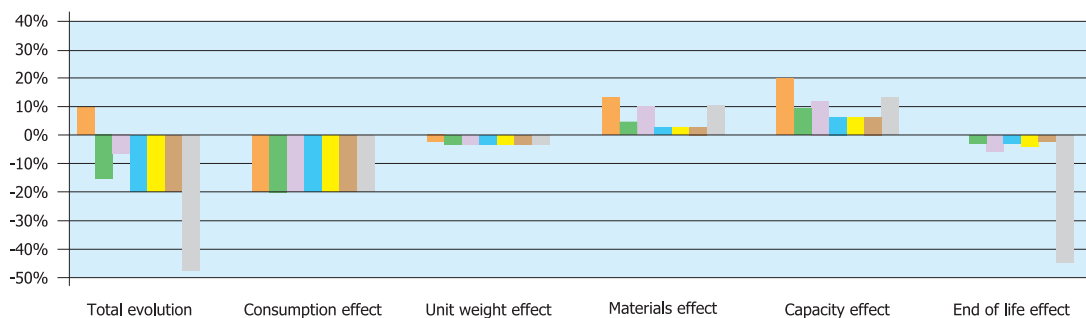

Angus Macpherson
Managing Director



Reduced packaging weight = less environmental impact? – continued from page 4

The reduction of bottles' unit weight resulted in a saving of 3kt of packaging (unit weight effect). The plastic 1l bottle weight decreased from 34,4g to 30,9g (-10%) between 1997 and 2006, while the glass 1l bottle weight decreased by 17%. However, these reductions in bottle weight were partially offset by increased cap weight (new "anti-drops" functionality) and the introduction of heavier square-shaped bottles.

The graph below presents the environmental impacts of the changes in alimentary oil packaging tonnage between 1997 and 2006:



Because of the changes in the relative percentages of the different packaging materials, the increase in global packaging tonnage generates an improvement for all environmental indicators.

Legend	Evolution in %
Packaging tonnages	9%
Greenhouse effect	-15%
Air acidification	-7%
Water eutrophication	-19%
Resource depletion	-20%
Primary energy consumption	-20%
Municipal waste	-46%

As a result of the very significant difference in unit weights, the increase in the use of glass bottles rather than plastic bottles leads to higher environmental impacts (from +6 to +14%), however this is less than the overall tonnage increase (+20%). The capacity effect shows higher environmental impacts, because of a decrease in the average capacity of glass bottles. The end of life effect shows important environmental benefits, mainly because of an increase in glass recycling rates (from 52 to 72%).

The whole publication (in French) includes the description of the environmental impact of packaging in the 8 markets studied. It is available on the ADEME website <http://www2.ademe.fr>. For more information, please contact:

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BIO Intelligence Service (www.uk.biois.com) is one of Europe's leading consulting firms in the fields of environmental and energy management. It is involved in a wide range of projects on the development, analysis and implementation of environmental policies and programmes at EU and Member State levels.

Be a Good Samaritan: Sponsor a Tree, Change a Life!

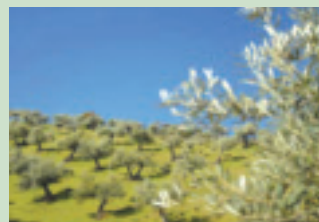
The Good Samaritan Centre (www.buensam.org.uk), near Pozoblanco, Northern Andalusia, Spain is a drug rehabilitation centre. The Centre runs courses to prevent the abuse of drugs, give advice and help to those dependent on drugs, allow residents time to take part in therapeutic social activities and facilitate their eventual reintegration in the society.

If you wish to support the Good Samaritan Centre, any donation will be greatly appreciated but you might like to sponsor a tree. Sponsorship starts at £40 annually, for which you will receive:

- 3 litres of Olivalle organic extra-virgin olive oil, sent by post. This will be sent in late spring/early summer each year. In 2004 the cooperative that produces the oil from the Centre's olives received the Best Organic Farming Award from the Spanish food industry;
- A certificate with a photo of your tree;
- An information sheet about the work of the centre, and a bi-annual newsletter on its work.

By giving £65 or more, they are able to claim gift aid and increase your gift by 28%.

For further information please contact Alan Moir at alangmoir@aol.com





Reduced packaging weight = less environmental impacts?

by Aymeric Schultze with contributions from Cécile Des Abbayes & Eric Labouze

BIO Intelligence Service

In 2005, the French National Packaging Council (CNE), the French Environment Agency (ADEME) and Eco-Emballages (the French Green Dot scheme) conducted an analysis of 8 mass consumption markets (e.g. mineral water, laundry detergents, beer...) which make up 30% of French household packaging. The objective was to identify different factors influencing the evolution of packaging tonnages between 1997 and 2006. We evaluated the associated environmental impacts, by means of a Life Cycle Assessment (LCA), in order to determine whether the decrease of packaging tonnages led to an overall diminution of the environmental impacts of packaging. The study concluded that:

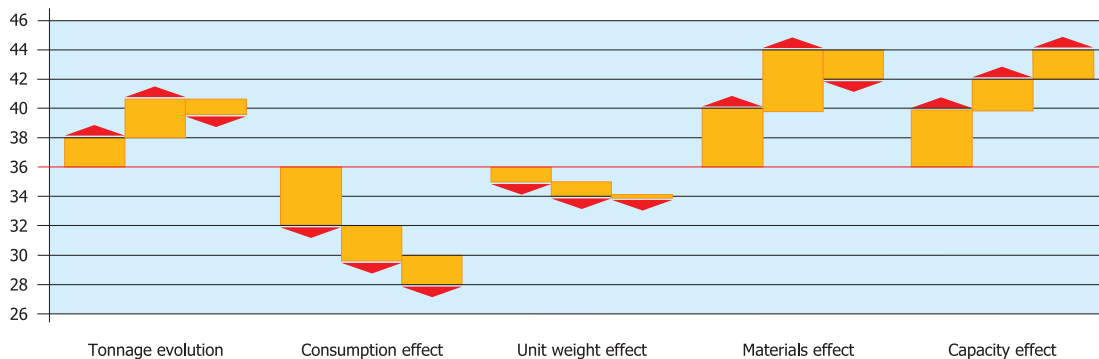
- 1 The growth in the number of packaging units is linked to the evolution of consumption.
- 2 However, consumption and packaging tonnages appear to be less closely correlated. In fact, consumption increased globally by 6% between 1997 and 2006 in the 8 markets studied, whereas **packaging tonnages decreased by 14%**.
- 3 The evolution of packaging tonnages results from several different factors, and the effects vary among the different consumption markets:
 - The evolution of the **consumption** of the product;
 - The changes in **packaging unit weight** (keeping the same capacity and material);
 - The evolution of the combination of different **materials** used;
 - The evolution of **packaging capacity** (the smaller the capacity of a packaging unit, the bigger the necessary quantity of packaging material per tonne of product).
- 4 The environmental impacts of packaging are linked to the factors above which influence the change in packaging tonnages, and to the evolution of the relative parts of different end-of-life treatments (recycling, incineration, landfill) in France between 1997 to 2006.
- 5 Eco-design and sustainable consumption are important means to decrease the environmental impacts of packaging.

Each of the 8 markets analysed had a different behaviour as regards the factors described above. We have used alimentary oils, such as olive oils used in cooking, as an illustration.

The evolution of alimentary oil packaging

Oil consumption decreased from 357kt in 1997 to 287kt in 2006 (-20%), while packaging tonnages increased by 11%. The tonnage of PET bottles decreased from 29 to 17% of the total packaging tonnage used for this product group, whereas the percentage of glass bottles increased.

The graph below shows the different factors that have influenced the changes in packaging tonnage:



The rise in packaging tonnages is mainly linked to the increase of glass bottles as compared to plastic bottles ("materials effect"). It is also due to the increase of sales of smaller bottles (0,5l or 0,75l as compared to 1l bottles); this is the "capacity effect".

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