

Market Status – May 2008 to July 2008

By Ian Andrews



PRN prices for the quarter were relatively stable as fears of shortages in glass and plastic were alleviated by the release of excellent Q2 figures in these materials. Problems regarding the availability of Aluminium were also addressed as the Government finally passed the amendment for broadly equivalent standards requirements for export; however mixed messages continue to be heard as to whether this will be sufficient.

Trading for the quarter equated to 156,187 tonnes across all markets with 99,838 tonnes being traded through the Spot Market and 56,349 tonnes being traded through the Forward Markets.

Market material analysis:

Paper – traded actively throughout the period at £2.25. As the quarter progressed, confirmation of Q2 figures showed that excellent levels were being achieved during the first six months of the year and this led to a reduction in value to £2.00.

Plastic – traded in fair volume during the period. Initial fears of a shortage in this year's market saw the price rise before the Q2 figures showed that these fears were misplaced; with a 15% increase in recycling rates on Q1. Further price reductions were seen in the October Forward Market with the price trading down to £20.00.

Glass – traded in excellent volume in the Spot Market. Buyers, with an eye on next year's target increase, decided to secure tonnage early for next year's delivery with trading for January and April delivery at £24.00 per tonne.

Steel – a lack of buying interest in the market this quarter resulted in poor trading levels. Q2 figures showed good growth in steel recycling rates and cancelled out any fears of a deficit projected after the release of Q1 figures.

Wood – fair volume traded this quarter with general obligations filling the majority of trades. The overall slow down in the economy and the resulting decline in the house building market has left some sellers speculating that available tonnage may tighten in the latter part of the year.

Aluminium – fair volume traded over the quarter with prices in the Spot Market remaining firm. The relaxation of equivalent standards requirements led to thoughts of further tonnage being made available at the end of the year and resulted in a price reduction for forward contracts.

Recovery – not much to report this quarter with Spot Market tonnage providing a premium for small documents. The Forward Markets provided more opportunities for larger documents.

	High this quarter	Low this quarter	Traded this quarter	Quarter average traded price	YTD average traded price	Year to date aggregated traded
PAPER MARKET						
Spot 2008	£2.75	£2.00	47,828	£2.20	£2.26	96,673
Jul Fwd	£2.25	£2.25	30,000	£2.25	£2.67	60,000
PLASTIC MARKET						
Spot 2008	£23.50	£20.50	10,771	£21.92	£19.31	21,894
Jul Fwd	£22.00	£22.00	1,500	£22.00	£22.00	1,500
Oct Fwd	£20.00	£20.00	1,250	£20.00	£26.00	3,750
GLASS MARKET						
Spot 2008	£21.00	£19.50	31,494	£20.50	£21.00	58,284
Jan Fwd 2009	£24.00	£23.50	8,000	£23.81	£23.81	8,000
Apr Fwd 2009	£24.00	£24.00	10,000	£24.00	£24.00	5,000
STEEL MARKET						
Spot 2008	£14.00	£13.00	1,007	£12.83	£13.68	2,514
Jul Fwd	£12.50	£10.00	1,285	£11.14	£11.83	3,750
WOOD MARKET						
Spot 2008	£2.25	£2.25	7,018	£2.25	£2.32	16,346
ALUMINIUM MARKET						
Spot 2008	£75.00	£75.00	820	£75.00	£72.12	1,286
Jul Fwd	£75.00	£75.00	100	£75.00	£75.00	100
Oct Fwd	£75.00	£70.00	450	£71.11	£71.11	450
RECOVERY MARKET						
Spot 2008	£2.00	£2.00	900	£2.00	£1.82	2,720
Oct Fwd	£1.50	£1.50	3,764	£1.50	£1.64	8,764



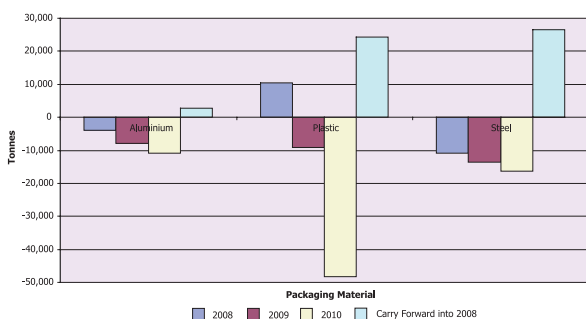
Managing Director's Quarterly Report

After the slow start to the year activity has bounced back vigorously. Trading is up 19% quarter on quarter and 75% year on year with prices being fixed at an early stage well into 2009. This may reflect an underlying uncertainty of whether glass is going to meet its targets in 2009 or an early response to David Workman's request on page 4 for greater certainty in future glass PRN prices. His cry for greater consistency in collection and quality are reflected in Rick Wilcox's article which expands on the systems the wood sector has implemented to raise the quality of mixed collections.

This period has seen the publication of the anticipated amendment of the Regulations to accommodate a wider interpretation of broad equivalence, the 2nd quarter (Q2) figures, revised obligations and the publication of the funds received by reprocessors and exporters in 2006 and 2007.

The revised material specific obligations for glass, paper, wood, plastic, general and overall recovery are up while steel and aluminium are in line with expectations. Q2 PRN production for all materials is up by modest amounts except paper which has dropped on the back of the worst export quarter since 2006 Q3. Current expectations show an in year shortfall for steel and aluminium.

Comparison of potential shortfalls in PRN production in 2008 to meet aluminium, plastic and steel material specific obligations in 2008, 2009, 2010 with carry forward into 2008



The former is covered by the carry forward from 2007 and in all probability both will go into surplus as a result of the change in 'broadly equivalent'. Even if the throttle comes off for paper PERNs and wood PRNs during the second half of the year with an expected surplus of 335,000 tonnes in general recycling despite an illusory deficit of 70,000 tonnes in recovery it is unlikely to have much impact in 2008.

Looking to 2009 carry forward in glass, steel and aluminium may be reduced in which case their targets could be challenging. So might the plastic one be if the expansion in domestic PRN production does not offset any potential post-Olympics reductions in exports. A prolonged downturn in exports and for the construction industry might even tighten the paper and wood markets. Under these circumstances trading forward looks attractive.

The funds breakdown shows how much money is paid annually through PRNs and PERNs to the recycling industry.

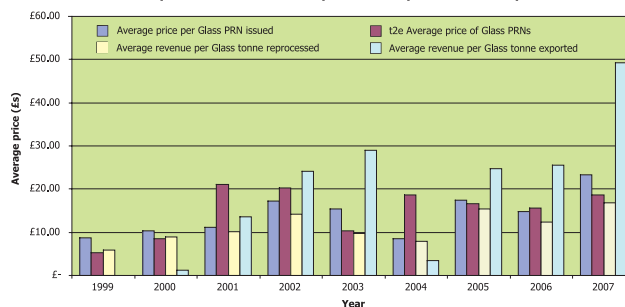
The graph below shows how that has changed in total over the last 9 years. While income has varied annually over £600 million has been received for additional investment in the collection, exporting and reprocessing sectors.

PRN Income shown by packaging material 1999 - 2007



It is possible to compare the average price obtained for all PRNs and PERNs issued by reprocessors or exporters and the average price that is obtained per tonne of packaging waste reprocessed or exported. In most cases the price obtained by exporters is less than that obtained by domestic reprocessors although this gap has been narrowing over time. Two noticeable exceptions are aluminium and glass the latter can be seen below where exporters consistently achieve significantly more than reprocessors. By 2007 glass exporters averaged 3 times as much per tonne exported than reprocessors achieved per tonne reprocessed. Could this be the source of pressure on container industry supplies rather than the aggregate industry?

Comparison of average price of issued Glass PRNs with t2e prices and the revenue per tonne reprocessed or exported



Many thanks to David Workman and Rick Wilcox for the contributions. Thank you to all for your support. We look forward to seeing you at RWM and being of service to you before the year ends.

Angus Macpherson
Managing Director



My Trade History

The **My Trade History** function on the t2e website is a unique facility that allows t2e participants to monitor all aspects of their PRN trading through their own personal login. Features of **My Trade History** allow the participant to:

- view a break down of all their current trades as well as historic trades from previous compliance years.
- compare, at a glance, their own trading on t2e against how the PRN market is performing overall.
- reprint trade confirmation notices.
- track each stage of the settlement process from start to finish in real time, including confirmation of clearance of funds, delivery of PRNs and End User names.

For more information on the features of the t2e website and how they can help manage your PRN purchasing and sales, please contact us on 0844 800 9943.

Select the required Market

Click on [My Trade History]

The Overall Market History is displayed here

Click on the summary to view details of specific trades

Click [C] to view a contract confirmation document

Your trading activity is summarised here

Click [S] to view the settlement status of the contract in the new window

Your Trade History is displayed here

Settlement Status - Microsoft Internet Explorer
SETTLEMENT STATUS FOR CONTRACT 000000

Transaction Date: 1 October 2007
Transaction: 14 tonnes of 2007Steel
End Receiver: ABC Ltd
Settlement Date: 4 October 2007

PRNs received: 4 October 2007
Funds received: 2 October 2007
PRNs dispatched: 4 October 2007
Funds disbursed: 4 October 2007

If you have any queries relating to this settlement please contact us on 0131 473 2327.

Exit

Trade History						My Trade History					
Product	Last	Average	High	Low	Tot Vol	Product	Last	Average	High	Low	Tot Vol
Aluminium	29.5	56.19	120	16	4998	Aluminium	-	-	-	-	-
Gen.Recyoling	-	-	-	-	-	Gen.Recyoling	-	-	-	-	-
Glass	4.25	16.16	27.5	4.25	101711	Glass	-	-	-	-	-
Paper	3	2.21	3.75	0.5	218310	Paper	1	1.00	1	1	259
Plastic	50	9.98	50	4.25	51198	Plastic	13	13.00	13	13	14
Recovery	1.25	1.77	3	0.75	14762	Recovery	-	-	-	-	-
Steel	2.5	3.67	11.5	0.75	25160	Steel	2.25	3.49	3	2.25	656
Wood	2	2.24	5	0.5	82770	Wood	1.75	1.75	1.75	1.75	251
Totals	6.46				498909	Totals	2.12				1780

Purchases				Sales			
Transaction Date	Product	Tonnage	Price	Transaction Date	Product	Tonnage	Price
1 trade	2007Paper	869	1.00	22-Jan-2008	2007Steel	285	2.25
04-Oct-2007	2007Plastic	14	13.00	03-Dec-2007	2007Steel	44	3.50
1 trade	2007Plastic	14	13.00	30-Nov-2007	2007Steel	232	3.50
1 trade	2007Wood	251	1.75	29-Nov-2007	2007Steel	1	3.50
3 trades		1124	1.25	01-Oct-2007	2007Steel	14	3.75
				23-Jan-2007	2007Steel	80	7.50
				01-Feb-2007	2007Steel	656	3.48
				6 trades	2007Steel	656	3.48

**Come and visit us at
Stand 1632 at RWM '08
at NEC Birmingham
between 16 and 18 September 2008**

**To trade dial 0844 800 9943 (calls charged at up to 5p a minute from a BT line),
to join ring 0131 473 2330**

Glass Recycling

David Workman - Director General, British Glass



The PRN system was originally devised as a low cost method of meeting the Packaging and Packaging Waste Directive targets. To that end it would seem as if it will achieve its objective. However, the revenues produced – for glass it was £34.2m in 2007 – are insufficient to make a real impact on the recycling infrastructure in the UK .

We are still a long way behind the best in Europe. It has also not produced good quality recyclate which means that increasingly we have seen glass recovered from the waste stream going into aggregates rather than back into making new bottles and jars. No account is currently taken of the environmental benefits of the end use of glass waste.

The PRN price also tends to be volatile and dependent on the target levels set each year for the different materials. Would interest from the aggregates sector still be as strong if the glass PRN price fell to a fraction of its current level of about £20 per tonne? What will then happen to the volumes of processed waste that are of such poor quality that they are not suitable for glass manufacture?

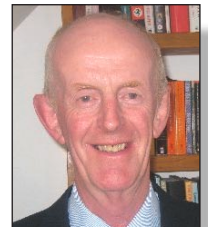
The glass manufacturers have an incentive to invest PRN revenues in capital projects, education and in bridging the gap between the cost of virgin raw materials and "cullet" They are in it for the long haul. The questions that we would ask is whether the alternative markets are as committed to long term infrastructure improvements that are going to be needed in the future.

It is for these reasons that we would like to see a degree of certainty in future PRN pricing and the introduction of different price levels to reflect the quality of materials returned from the waste stream. In addition we would advocate a stronger role for central government in ensuring a more unified approach to methods of collection and quality standards for all materials as they exit the waste stream.

The overriding objective of waste policy needs to move away from landfill avoidance to resource efficiency and overall environmental benefit.

Wood Packaging

Rick Wilcox - The Wood Recyclers Association



The recent dramatic downturn in the building sector is adversely affecting sales of panel board products. The UK board mills currently consume about 70% of the 1.9 million or so tonnes of processed waste wood, so the knock-on effects are being felt throughout the wood recycling supply chain; this in turn will affect the volume of wood PRNs. There has been a plentiful supply of wood PRNs for some time, which has kept values very low. However, the tightening up of availability could see wood PRN prices rise in the short term, but we would not expect any rise to be significant.

As part of a co-ordinated drive by The Wood Recyclers Association (WRA) and Wood Panel Industries Federation (WPIF) to raise standards throughout the industry the 2 associations recently launched a wood packaging verification protocol, designed to give governments and the regulatory authorities much more confidence in wood packaging tonnage claims. All WRA and WPIF member companies have signed up to the protocol, and non members are also urged to operate to protocol standards.

The protocol requires the packaging content of every mixed load to be weighed and visually checked by a trained member of staff to assess the percentage of packaging material in the load. There must also be a clear audit trail for the material. A training handbook accompanies the protocol which consists of a half day course designed to be delivered on-site by a manager or supervisor. The documents are available in CD format or in hard copy free of charge from the WRA, and can be viewed at www.woodrecyclers.org The project was funded by WRAP, the Government's Waste & Resources Action Programme. The key principles are based on procedures agreed by the Environment Agency and SEPA with accredited re-processors in England and Scotland, and endorsed by the Northern Ireland Environment and Heritage Service.

The fact that mixed lorry loads are now assessed for packaging content by a trained operative should ensure the accuracy of future wood packaging tonnage claims.

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