

## QUARTERLY REPORT

The OM Environment Exchange (OMEE) has now finished 1999 PRN trading. Total trading volumes for 1999 PRNs totalled 51,500 tonnes with over 50% of trading occurring in the final two months reflecting 1998 PRN trends. Volumes in 1999 PRNs were more than double the trading figures for 1998 PRNs.

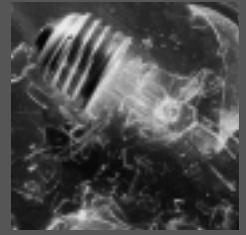
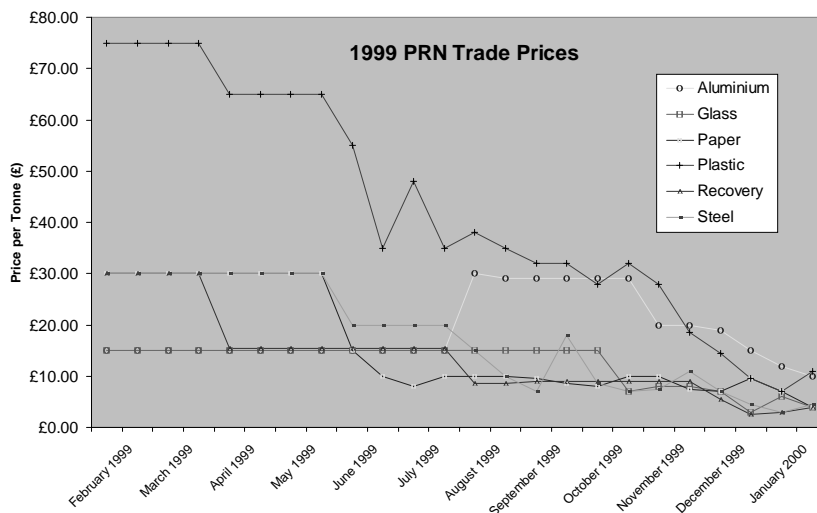
### This issue covers the following:

- PRN price history
- Managing Director's Comments
- General Recycling PRNs
- A Reminder!
- Forth-coming Events

Below are the average PRN transaction prices through OMEE for 1998 and 1999. Compare these with your current PRN costs. You may well find that you could save many thousands of pounds by using the exchange:

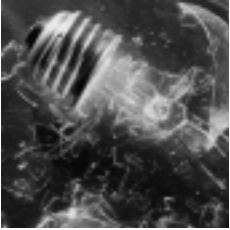
	1998 Average PRN Prices	1999 Average PRN Prices
Aluminium	£15.00	£12.49
Glass	£15.00	£5.35
Paper	£8.87	£6.12
Plastic	£11.30	£31.48
Recovery	£8.30	£5.92
Steel	£5.24	£6.82

Below is a graph showing the Trading Price History for 1999 PRNs



[www.t2e.co.uk](http://www.t2e.co.uk)

[www.omgroup.com](http://www.omgroup.com)



## Managing Director's Comments:

Our second compliance year has ended on a high as trading on 31 January 2000 broke 50,000 tonnes with a traded value in excess of £500,000. December and January show a 40% year on year increase on 1998 levels. We have welcomed Greene King as our 250th participant and we are moving rapidly towards 270. Our congratulations and thanks go to Mayer Parry for being the largest participant seller of PRNs on OMEE during its first year of trading.



During the last quarter we have seen a second amendment to the Regulations. These amendments include:

- a shift of the minimum turnover threshold to £2 million
- a re-shuffle of the packaging activity percentages
- removal of the wholesaler obligation
- a change of registration dates to 7th April and an increase in the Agency fees to £950
- a requirement for individual compliance plans for companies with a turnover in excess of £5 million
- and a number of other detailed technical changes



Further changes being considered include a review of the PRN system. We are all aware that the UK's current Regulations are far from perfect, however they are delivering compliance at a lower cost (and in some instances a far lower cost) to industry than is being achieved elsewhere in Europe. Some have expressed concern that PRN money is not being spent constructively on developing the reprocessing infrastructure. This may or may not be based on fact, nevertheless we are actively working alongside the Agencies to try and aid both their effective enforcement of the Regulations and enhance the transparency and efficiency of the market.



This year the inclusion of £2 to £5 million turnover companies, Northern Ireland and other forms of packaging (including wood) may well increase the tightness in the market. However, a recent survey of our reprocessors suggested that 30% were looking to increase capacity in 2000. Whilst this bodes well for PRN availability, this capacity may only come on line if an increased demand for PRNs is seen in the market.

As you are aware, we aim to introduce forward contracts during 2000 to facilitate cash flow management for our participants. This will enable businesses to fix prices early and so limit exposure to the unpredictability of the PRN market.

We are also part of a consortium that is developing a concept of tradable certificates in renewable energy and by the end of this compliance year we intend to have a wider range of products available for you to trade. We are beginning to see the development of tradable certificates in Greenhouse Gas emissions and as part of that project I am involved in a number of presentations throughout the country. A number of sectors within the recyclable commodities industry are also beginning to express interest in using our trading facilities.

Thank you all for your continuing support of OMEE. We are constantly striving to improve our service to you so please do not hesitate to contact us should you have any suggestions or queries. We wish you all a successful transition into the new Millennium.

Yours

Angus Macpherson



# BRIDGING THE GAP BETWEEN BUYERS AND SELLERS

## Your Legal Responsibility

Whether individually registered or registered through a compliance scheme, calculating your obligation is the legal responsibility of your business. This is the most complex stage of the compliance procedure. Using OMEE offers you both big savings on the cost of the PRNs and a transparent price index for PRNs. You could, should you wish it, make use of a specialist consultant to assist you in calculating your data and still save money over alternative compliance methods.

## General Recycling PRNs

On 1.1.2000 we introduced General Recycling PRNs. These represent the recycling of wood and other packaging materials such as cork, wax, textiles etc. which are covered by the Regulations after 1.1.2000.

There is no general recycling obligation in 2000 but from 2001 onwards there is a general recycling obligation of 26% (50% of the recovery obligation). This can be composed of either material specific recycling or general recycling PRNs.

In 2001 any material specific PRN may sell to a general recycling PRN bid but a general recycling PRN offer can only sell to a recovery or a general recycling bid.

## A Reminder!

Companies wishing to register independently with the Agencies must submit their forms by the 7th April 2000.

Companies with turnovers in excess of £5million now also have to submit a compliance plan. "Obtaining your PRNs through OM Environment Exchange" is an acceptable compliance plan. We will be able to supply you with further details to assist you in compiling this plan.

At a recent roadshow, the Environment Agency highlighted a number of common mistakes made by obligated companies when calculating their obligations:

- Misunderstanding what is packaging
- Measuring packaging waste in the skip instead of packaging handled
- Which recycling and recovery percentages to use
- Not picking up rolled up obligations on imports
- Not realising that they perform more than one activity
- Completion of data forms
- Groups of companies

## Forth-coming Events

### Forwards

OMEE will launch a Forward PRN contract during 2000. The forward is a price fixing mechanism that will benefit both buyers and sellers of PRNs. In simple terms buyers and sellers will be able to agree the delivery/receipt of PRNs at a fixed price and quantity on a date in the future. The benefits of this are:

- Buyers - can build compliance costs into their budgets/cashflow forecasts
- AND
- Sellers - can predict sales/revenues of PRNs

### Renewable Energy Certificates

OMEE is part of a consortium known as "RECeT" who are exploring the possibilities of developing a European-wide renewable energy certificate market. OMEE, with its experience in trading environmental instruments and commodities, has been asked to operate the electronic market-place and registrar for these new certificates.

The project manager, Christopher Crookall-Fallon of ESD, said "There's currently a lack of clarity over EU policy on certificate systems, and individual Member States are developing systems at different speeds, with different characteristics. It's going to be very important to achieve a basic compatibility between national systems, if international trading is to work well. We've got a great opportunity here to bring together some of the key players, and using an internet-based market simulation to show how such a market could really work, and how the key stakeholders can benefit from it. We're keen to get a wide participation in the simulation, and we'll be advertising this in due course".

Angus Macpherson, Managing Director of OMEE, said "I am delighted that both ESD and the European Commission have recognised our expertise in this field and have asked us to join this project".

### Emissions Trading Group

Angus Macpherson is also part of the CBI/ACBE initiative who are developing Carbon emissions trading. Interested parties may wish to attend a number of Workshops which are being held around the country at the following venues:

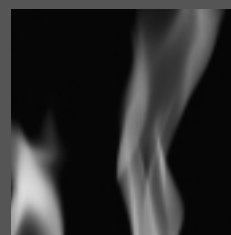
- 25 February 2000      Scottish Power, Cumbernauld
- 1st March 2000        Corus, Teeside
- 7th March 2000        Aldergrove Airport Hotel, Belfast

If you would like further information on the above seminars, please contact Angus Mcpherson or Isla McCurrach on 0131 524 7040.

For further information, Please contact :

James Blunt . The Environment Exchange  
C/o OM London Exchange Ltd . 107 Cannon Street . London EC4N 5AF  
Telephone: + 44 171 815 3879 . Fax : + 44 171 815 3865

[www.t2e.co.uk](http://www.t2e.co.uk)



[www.t2e.co.uk](http://www.t2e.co.uk)

[www.omgroup.com](http://www.omgroup.com)

