

Market Status – November 2006 to January 2007

by Ian Andrews

In the fourth quarter 2006 prices, floored by oversupply across the board fell to levels not seen since 2003. Glass and Aluminium were the only two materials to resist this trend. Prices for 2007 PRNs have started somewhat higher, but are still a long way off the levels many sellers say they need to be at to sustain reprocessing or exporting their materials.

At 518,706 tonnes traded 2006 compliance is a record year, nevertheless it finished slowly with year on year trading in the last quarter down. t2e's tonnage traded for the quarter was 99,856 tonnes Spot and 40,830 in the forward markets. The quiet quarter from a 2006 perspective was substantially balanced by an 8% growth in forward trading and a doubling in trading to date in 2007 compliance year as sellers tried to clear transitional tonnage before the close of the compliance year.

Market material analysis:

Paper – traded in excellent volume across all markets. Demand for 2006 Spot volume remained steady with 38,326 tonnes being traded in November and December. 2007 Spot prices traded at an average price of £3.42, up from £0.97 seen in the Spot 2006 market for the quarter. Forward market activity saw good tonnage secured for delivery in the April and July markets.

Plastic – good volume traded throughout the quarter, with a total of 13,784 tonnes across all markets, representing an increase of 79 % on the last quarter of 7,692 tonnes. Spot 06 trading saw an average price of £1.96 for the quarter.

Steel – most trading was seen in the January Spot 07 market as buyers looked to secure transitional tonnage against 2007 obligations. The price for forward markets is set at £12.50, with 500 tonnes due for delivery in both April and July.

Glass – the transitional market saw excellent volume trading as buyers looked to offset against 2007 obligations. Approximately 15% of the total tonnage in 2006 was traded in the transitional and forward markets. Prices remained buoyant finishing at a year high of £22.00, up from £17.75 on the last quarter.

Wood – good tonnage traded in both spot markets with the majority of 2006 purchasing meeting general and

recovery obligations. This quarter saw an increase of 35% on the last quarter, up from 11,223 tonnes to 15,154 tonnes.

Recovery – light tonnage traded in both spot markets. 2006 obligations continued to be met with paper and wood. Spot 2007 purchasing started in light volumes.

Aluminium – light volume traded in each market, with sellers reaching a low for the year at £2.25 as they looked to clear their transitional stock. Once again the benefit of the forward markets for sellers was seen, with prices reaching £20.00.

	High this quarter	Low this quarter	Traded this quarter	YTD average traded price	Year to date aggregated traded
PAPER MARKET					
Spot 06	4.50	0.50	42,344	4.64	155,694
Spot 07	3.50	2.75	19,033	3.43	19,033
Jan Fwd	4.25	4.25	2,500	4.11	49,500
Apr Fwd	4.25	3.75	11,965	4.07	16,965
July Fwd	4.25	3.75	13,000	4.11	23,000
Oct Fwd	4.25	4.00	6,500	4.13	6,500
PLASTIC MARKET					
Spot 06	7.50	1.00	6,780	18.49	39,351
Spot 07	7.00	4.25	2,754	6.20	2,754
Jan Fwd	6.75	6.75	750	6.58	2,250
STEEL MARKET					
Spot 06	11.00	1.75	1,074	44.80	10,653
Spot 07	11.50	6.00	2,840	7.31	2,840
Jan Fwd	-	-	-	20.73	2,200
Apr Fwd	12.50	12.50	500	12.50	500
July Fwd	12.50	12.50	500	12.50	500
GLASS MARKET					
Spot 06	14.50	10.00	2,450	13.59	51,419
Spot 07	22.00	17.50	6,187	20.48	6,187
Jan Fwd	17.50	17.00	1,465	17.17	1,465
WOOD MARKET					
Spot 06	5.00	0.50	10,409	5.54	54,628
Spot 07	5.00	2.25	4,745	2.95	4,745
RECOVERY MARKET					
Spot 06	1.50	0.50	424	2.64	8,994
Spot 07	2.75	2.00	531	2.28	531
ALUMINIUM MARKET					
Spot 06	12.50	5.00	123	80.76	3,041
Spot 07	5.00	2.25	162	17.30	162
Jan Fwd	20.00	20.00	150	20.00	150



Managing Director's Quarterly Report

Compliance year 2006 has been a record year for t2e. For the first time ever over half a million tonnes of a single compliance year's PRNs have been traded through t2e. This is a major milestone. To achieve 3.8% growth following last year's record in a year that has seen significant surpluses of PRNs is astonishing. To compare in 2003, the last year of similar surpluses, year on year trading volumes reduced by 11%.

Our big challenge is to consolidate that growth this year as we look to provide a market-place for WEEE evidence notes. So far the signs are mixed; the introduction of the ePRN has stalled trading in February after an excellent start in January. This may be attributed partially to the development of WEEE schemes and initial confusion with ePRNs. Also uncertainty exists as to what the Agencies are trying to achieve by their interpretation of contracting. It cannot be correct that companies are unable to bring back PRNs acquired through their own activities to compliance schemes.

2007 Regulations

The draft 2007 regulations have now been laid. They contain no major surprises. Independent auditing has been broadened to include environmental auditors. We will be working with IEMA to agree guidelines with the Agencies for their auditors. Operational plans are only required from those with obligations in excess of 500 tonnes and compliance schemes. Following a precedent set in the WEEE regulations, compliance schemes may be startled to learn that they are expected to pay a registration fee. There are no increases to the targets but Agency fees have been increased across the board. Many still find the latter difficult to justify and will be looking to more effective regulation as well as the publication of their monitoring programme.

Figures

The challenge of the divergence in export figures remains. So too does the challenge for exporters to identify to regulators that their exports outside Europe are going to reprocessors that reach broadly equivalent European standards. While paperwork is a problem there are many other issues at stake. A co-ordinated European wide customs operation between 2004 and 2006 identified that over 55% of shipments designated as waste were illegal once inspected. Exporters are clearly going to have to exercise a greater duty of care to check that what is delivered for export is in fact what is claimed. This may well have an impact on those that deliver to them, in many cases local authorities or contractors

working on behalf of local authorities.

Local Authorities are complaining about excessive packaging. Sandy Bruce-Lockhart, chairman of the Local Government Association, claims almost a fifth of all household waste, around 5 million tonnes, annually is used packaging. Add this to the 6.5 million tonnes that is currently being recovered and it comes to almost 2 million more tonnes of packaging than DEFRA currently believes is being put on the market in the UK. If these figures are correct then it would appear that the UK targets are currently way out of line as well as a significant number of undetected freeriders.

ePRNs

The belated introduction of the ePRN looks to be an immense administrative advantage as well as a saving in postage costs, stress and anxiety. It is sad that it's introduction was not used to speed up the provision of end of year information. We have to wait for 4th quarter figures until the end of March at the earliest. Surely they could have been submitted by the 21 January like all other quarters with a final reconciliation post audit at 28 February. Similarly we have got no idea what the final obligation is.

Although t2e does not have access to the ePRN system and so is unable to supervise the acceptance process, both buyers and sellers will like the additional confidence that the t2e settlement system provides them. As t2e will not notify sellers of transaction end receivers until after t2e has received cleared funds from the buyer, neither counterparty can be disadvantaged by the other threatening default after either receipt of money or authorisation of the ePRN.

2007 represents exciting times. 2006 was a record year. Many thanks to all. Many apologies to those participants that are still being chased to update their paperwork, I appreciate it is boring but it needs to be done. Please be patient and take a few moments to complete it. We have done as much as we can to minimise the effort that you have to make.

Once again thank you for all your support and we look forward to being of service to you in 2007.


Angus Macpherson
Managing Director



ePRN Settlement Procedures *by Anna Lamin*

In response to the introduction of the electronic PRN (ePRN) t2e has introduced some minor changes to our delivery procedures for the settlement of PRN contracts.

Buyers:

- Will no longer receive a paper PRN document in settlement of a contract. An ePRN will be sent directly to the account on the National Packaging Waste Database nominated by the Buyer, where it will await acceptance. Only once the ePRN is authorised, is it valid evidence. There are no pre-assigned numbers;
- Will be notified by t2e of the ePRN number, its final letter and the issuer once t2e has received cleared funds and a copy of the authorised ePRN awaiting acceptance by the nominated account.

Note: Some producers and compliance schemes are registered with more than one Agency. It is important that buyers nominate the correct account as the recipient for the ePRN. t2e can take no responsibility for ePRNs sent to the wrong account if they have not been nominated correctly.

Buyer		Seller	
Transaction Date (Expiration Date for Forward Contracts)			
T	Faxed confirmation of transaction issued by no later than 17:00. Contract Expiration Notice for Forward Contracts.	Faxed confirmation of transaction issued by no later than 17:00. Contract Expiration Notice for Forward Contracts.	
T+1	Funds available for transfer to t2e	Unauthorised ePRN raised	
Settlement Date			
T+3	Cleared funds received at t2e	Settlement Advice Fax sent to the seller stating the name of the producer or compliance scheme to whom the ePRN will be delivered. ePRN completed but not authorised e-mailed or faxed to t2e. If ePRN documentation incorrectly completed then issuer advised of necessary changes or instructed to authorise the ePRN by 1200 the following Trading Day	
Delivery Date			
T+4	Fax/email sent to buyer to confirm authorised ePRN is awaiting their acceptance on NPWD.	Fax/email sent by seller to t2e of authorised ePRN by 1200. Funds sent by BACS to seller. Remittance advice faxed to seller.	
Completion Date			
T+6		Funds received by seller.	

*changes to current delivery process marked in red

Sellers:

- Must enter the contract number under the Representative (optional) box 4 when creating the new ePRN. This is so that Buyers can identify these ePRNs once they are authorised and are awaiting acceptance;
- Must e-mail or fax ePRNs to t2e after they have received the settlement advice fax and prior to authorisation to confirm receipt of the settlement advice fax and so that t2e may check that all details have been entered correctly, in particular the correct 'end receiver';
- Must fax or e-mail the authorised ePRN awaiting acceptance so that t2e can authorise the payment of the contract proceeds. This will not happen if the end receiver is entered incorrectly by the seller. After the ePRN has been authorised there is no means of changing its contents. The seller will be solely responsible for recalling through the appropriate Agency any incorrectly issued ePRN and issuing it to the correct end receiver.

How do I e-mail an ePRN?

To enable t2e to process payment as swiftly as possible it is essential that Sellers send good quality copies of ePRNs. Copies can be faxed but ideally the .pdf document that is generated should be saved then emailed to settlements@t2e.co.uk

1. Go to ePRN page on National Packaging Waste Database. Select ePRN that you wish to e-mail. Left click on the view button.
2. Left click open on the box asking if you wish to open or save this file.
3. Once open (you will need Adobe Acrobat to do this – it is available free on the internet) check that this is the ePRN you wish to save. Left click save a copy. Make sure that when you save a copy the reference has in it both the transaction confirmation number and the date of issue of the ePRN.
4. Left click print (so that if necessary it can be faxed) noting on the ePRN the file reference you have saved it under.
5. Close the saved copy. Make sure that you know where you have saved it.
6. Open your e-mail. Set up a message to settlements@t2e.co.uk. Attach the saved ePRN as a file.

Electronic PRNs (ePRNs) have arrived!

by *Jeremy Renwick* - Project Facilitator of the National Packaging Waste Database (NPWD)



The National Packaging Waste Database (NPWD) was upgraded on February 1st replacing PRN books with a fully electronic system to manage PRNs and PERNs online.

The ACP recognised as early as 2003 that to meet the 2008 EU targets, improve the operation of the PRN market and help the agencies regulate better (particularly identifying fraud more quickly), more accurate and timely information was needed. It was decided that this could be achieved best by moving to a fully electronic system. In December 2005 the NPWD project was established, under the leadership of Phil Conran, as a collaboration between industry and all 4 agencies involved. Solution 7 (www.solution7.co.uk) was selected as the software developer mainly because of their expertise in packaging and I was appointed Project Facilitator.

Reprocessors and Exporters have been using the system to submit quarterly returns throughout 2006 and this has already made a significant improvement to the speed of publication and accuracy of the DEFRA reports. The 2007 system also extends to compliance schemes and direct registrants enabling them to manage their obligation on-line for the first time.

The concept behind the ePRN system is that of two sets of "bank accounts". A reprocessor or exporter receives packaging waste which is "deposited" on their account. A producer has a "debt" each year generated by the packaging obligation that has to be repaid. An ePRN is the "electronic transfer" of packaging waste tonnes from re-processor to the producer to certify that they are meeting their obligations.

However please don't take the banking analogy too literally. The system does not get involved in the commercial transaction at all; its "currency" is tonnes of packaging waste not pound notes.

While the system has been designed to minimise the extent of the changes to the way the market operates; there are a few important things to note as a result of the introduction of ePRNs:

- When talking about "evidence" you now refer to the electronic record on NPWD, not to a paper PRN. A copy of the record can be printed / emailed / saved from the system but this is just a copy;
- ePRNs can only be issued to an obligated party i.e. a scheme or producer that has registered directly with the agencies (this was also the case with paper PRNs). t2e is not an obligated party so is not on the system, as a result there have been minor changes to its settlement process – see page 3;
- The Public Register is now a report from the system. It may be published elsewhere but the most up to date information is on the NPWD website. If a re-processor or exporter is suspended they will not be able to issue ePRNs;
- Security of the data is paramount. The system has been developed to the highest security standards and has passed 3 sets of "ethical hacking" tests so all users can have confidence that their information is kept confidential.

So far the feedback on the system has been very positive. People have found it extremely easy to use and helpful, e.g. it checks Direct Registration forms before submission to the Agencies. The finished system has now been handed over to the Environment Agency to manage and enhance.

Jeremy Renwick, of Kubernetes, specialises in facilitating collaboration between the public and private sectors and can be contacted through www.kubernetes.co.uk

The Environment Agency took control of the NPWD on 1 February 2008. At which time the second phase of NPWD went live with a database that includes:

- Online Electronic Packaging Waste Recovery Notes (ePRNs);
- Online registration by producers registering directly with an agency;
- Online registration by compliance schemes.

The User Guide for the Packaging Waste Industry can be downloaded from the home page of the NPWD (www.npwd.org.uk) and any questions arising can be directed to Solutions 7 who are enhancing the system and managing a helpline.

Those having problems or wishing to obtain pins or passwords for their accounts should contact the National Packaging Waste Database helpline on support@npwd.org.uk or call 08708 505 801.

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