

## Market Status – November 2007 to January 2008

By Ian Andrews



An excellent fourth quarter saw trading across all markets up 48% on the same period last year, to 208,359 tonnes. Trading in the 2007 markets reached 165,145 tonnes, up from 68,469 in the same period last year. Good trading levels were maintained in the 2007 market right up to the end of the period. As fourth quarter buyers and last minute purchasers came to the market, prices in the 2007 markets at the last started to rally as buyers competed for tonnage which was in restricted supply.

Limited activity was seen in both the 2008 Spot and Forward markets with trading levels down to 43,214 tonnes 40% below the same period last year. This was mainly due to uncertainty over the revised recycling targets and a lack of last minute selling into the transitional market.

### Market material analysis:

**Paper** – traded in excellent volume in both Spot markets throughout the quarter. After initially falling away, the 2007 Spot price briefly rallied at the end of the quarter due to some good demand from last minute buyers. Uncertainty over 2008 targets led to limited trading in the Forward markets.

**Plastic** – November saw a record month with 19,724 tonnes being traded in the 2007 Plastic Spot market. This set the scene for what was to be an active period with trading initially focusing on 2008 obligations before swinging back to the 2007 market as last minute demand came into the market. An individual buyer of one tonne at the end of the period set a top price for plastic this year of £50.00.

**Steel** – values continued to decline as the over-supply situation persisted. At the end of the period steel volumes successfully competed for last minute general buying and the price dropped to a year low of £0.75.

**Glass** – a record quarter for glass saw over 50,000 tonnes traded across all markets. After the release of quarter three figures showed good reprocessing and exporting levels, sellers decided to reduce their price expectations and sell into good volume bids. As the price continued to fall away, sellers secured forward contracts and set a price for next year's delivery.

**Wood** – traded in good volume in the 2007 Spot market as last minute buyers filled material specific and general obligations. The uncertainty over 2008 requirements hindered volume trading in the Forward markets.

**Recovery** – traded in light volume for the quarter. As the end of the year drew to a close the recovery sector had to compete with the decreasing values in the steel, paper and wood to meet recovery obligations.

**Aluminium** – the perceived shortage in Aluminium failed to materialise with good selling volume in the 2007 market up to the end of the period. Forward market activity remains elusive due to the spread between buyers and sellers positions.

	High this quarter	Low this quarter	Traded this quarter	Quarter average traded price	YTD average traded price	Year to date total traded
<b>PAPER MARKET</b>						
Spot 07	£3.25	£0.50	57261	£1.58	£2.21	218,310
Spot 08	£2.75	£2.25	14927	£2.36	£2.36	14,927
Jan Fwd	£3.00	£3.00	760	£3.00	£3.25	17,760
Apr Fwd	£2.50	£2.50	3000	£2.50	£3.17	27,000
Jul Fwd	£2.50	£2.50	3000	£2.50	£3.17	27,000
Oct Fwd	£2.50	£2.50	3000	£2.50	£3.04	17,000
<b>PLASTIC MARKET</b>						
Spot 07	£50.00	£6.00	27478	£9.03	£9.98	51,198
Spot 08	£17.00	£12.50	2491	£14.61	£14.61	2,491
Apr Fwd	£15.00	£13.50	2250	£13.64	£13.67	2,250
Oct Fwd	£14.00	£14.00	2500	£14.00	£14.00	2,500
<b>STEEL MARKET</b>						
Spot 07	£3.75	£0.75	14596	£1.33	£3.67	25,160
Spot 08	£14.00	£11.00	377	£13.51	£13.51	377
Jan Fwd	£11.00	£11.00	1571	£11.00	£10.86	1,821
Apr Fwd	-	-	-	-	£12.08	4,500
Jul Fwd	-	-	-	-	£11.83	3,750
Oct Fwd	£13.50	£13.50	2000	£13.50	£13.23	2,750
<b>GLASS MARKET</b>						
Spot 07	£14.00	£4.25	35221	£6.87	£16.16	101,711
Jan Fwd	£26.50	£25.00	8300	£26.05	£25.65	10,300
Apr Fwd	£25.25	£25.25	2000	£25.25	£25.25	2,000
Oct Fwd	£24.00	£24.00	5000	£24.00	£24.00	5,000
<b>WOOD MARKET</b>						
Spot 07	£3.00	£0.50	17598	£1.15	£2.24	82,770
Spot 08	£3.00	£2.00	1422	£2.51	£2.51	1,422
<b>RECOVERY MARKET</b>						
Spot 07	£1.25	£0.75	2466	£0.79	£1.77	14762
Spot 08	£2.00	£1.50	1085	£1.55	£1.55	1,085
<b>ALUMINIUM MARKET</b>						
Spot 07	£90.00	£29.50	604	£36.60	£56.19	4,998
Spot 08	£55.00	£52.00	162	£52.11	£52.11	162
Jan Fwd	£60.00	£60.00	50	£60.00	£60.00	50

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.

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## Managing Director's Quarterly Report

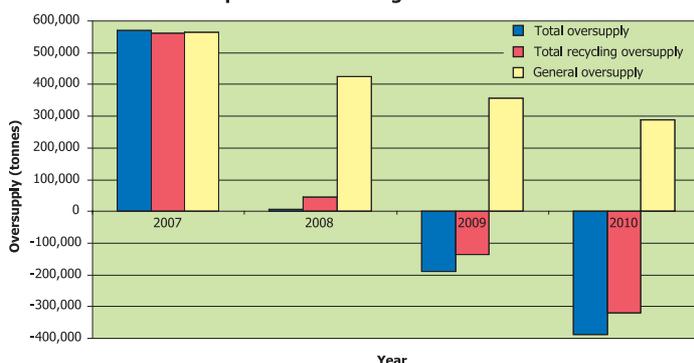
A year of records, another cracking quarter has seen t2e breaking trading records for both calendar and compliance years. Additionally the forward markets have been more popular than ever before.

The revised targets for 2008 - 10 have been published. They held a few surprises with Aluminium and Glass targets being reduced to more manageable levels for 2008 while overall recovery and recycling figures increased quite markedly. With projected 2007 Aluminium PRNs and Steel PERNs down on 2006 levels, the metals targets may yet prove challenging if the issues around 'broadly equivalent' standards are not resolved and the Plastics targets look no pushover.

The paper sector felt that the target revisions were irrelevant as their recycling levels already exceed all DEFRA's targets. While they do exceed their material specific recycling target, the general recycling target applies to all packaging collectively, not an individual sector. As can be seen alongside, paper needs the help of the wood sector to make up for the deficit of other materials in meeting this target.

As the rises in material specific targets have not been matched by similar rises in the recovery and general recycling targets the general recycling segment is increasingly squeezed. The chart below shows the level of this surplus to 2010 and potentially beyond at the anticipated levels of recycling and recovery achieved in 2007 in comparison to the growth needed to meet the revised targets.

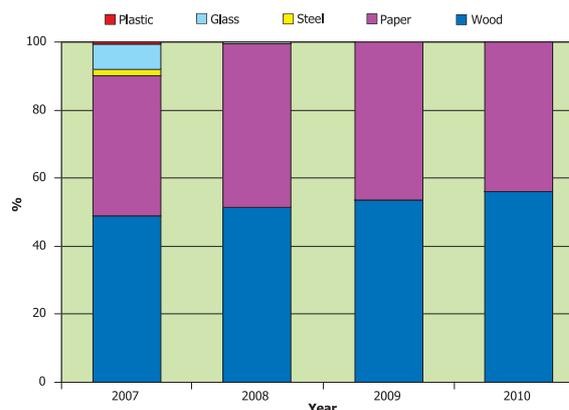
Oversupply of recovery, recycling and general recycling production to obligation 2007 - 2010



These surpluses make the markets extremely volatile. When sectors reach their material specific targets, they sell their surplus into the general recycling segment which has been at an administrative level since 2002. Decisions need to be taken as to whether these sectors wish to sell their surplus into volume bids in that market or maintain their material specific market values and wait for buyers to move to their prices with the risk of no sale. As the year end approaches many sellers decide that some income is better than none and chase an already weak market down. Others are beginning to consider the merits of deciding on a

price and sticking to it even if that means less tonnage is sold. This strategy can only work effectively if prices off market reflect those on it.

% General recycling composition 2007 - 2010



As it looks as though the UK should be able to meet the EU targets in 2008 and beyond, DEFRA may wish to review some of the underlying issues:

- At what rate is packaging really growing? Are the material organisations correct or the returns from industry?
- Why even though the turnover threshold has not increased since 2000 the number of obligated companies may have in fact fallen? Might it be a moment to reduce the threshold to £1 million or 25 tonnes?
- Are the protocols still correct 10 years on? Or has the composition of the waste stream changed and so should the protocols be changed?
- Why does the market wait until after 28 February before the 4th quarter returns are made? By that time operational plans need to be submitted to the Agencies. Should they not be made by 21 January like all other quarters? Independent audits would be more accurate if they were after 4th quarter returns had been submitted rather than before.
- Is genuine reprocessed tonnage being lost to the system because of administrative costs? Should the Agencies be paying some or all of the independent audit fee?

Now that the development of the WEEE Settlement Centre is complete, we will introduce a WEEE Note market place in April. If this is of interest to you please get in touch.

Thank you to Lindsay Millington and Jonathon Short for their articles and the Maggie's Centre for their support to Isla whom many of you will remember ran the office before Anna. Once again thank you all for your support in this record quarter and year.

Managing Director



## t2e to launch WEEE Note market-place.

Early in April 2008 t2e will launch a WEEE Note market-place. Producer Compliance Schemes (PCSs) and their representatives will be able to buy WEEE Evidence and Trade Notes from Approved Authorised Treatment Facilities (AATFs), Designated Collection Facilities (DCFs) and fellow PCSs through t2e. Initially Spot markets in both 2007 and 2008 WEEE Notes will be offered, forward markets will follow. An over the counter (OTC) Settlement and Delivery service will also be provided for those that have agreed trades elsewhere and an integrated independent audit service for AATFs.

For market and OTC transactions t2e will use the same rules as are in operation for the PRN market-place. Trades are confirmed by Transaction Confirmation Notices and settled within 5 working days of the transaction being notified to t2e. Prices and volumes will be aggregated and displayed on the t2e website. Delivery of all contracts will be in tandem with the WEEE Settlement Centre.

Those who are not already current participants will need to sign a market participation agreement and all regardless of whether they are participants or not will need to complete an application form to join the WEEE markets. Copies of these and the rules for WEEE Evidence trading can be found on our website [www.t2e.co.uk](http://www.t2e.co.uk) under "How do I join?"

Presentations will take place at the end of March at a range of venues. If you wish to learn more please e-mail [weee@t2e.co.uk](mailto:weee@t2e.co.uk). We look forward to hearing from you.

## Maggie's Centres

**Isla McCurrach, formerly Office Manager, t2e** was diagnosed with aggressive breast cancer at the age of 46.



*"When I went to the GP with the lump, I didn't feel ill. I was working. In a split second, the breast consultant told me of my diagnosis and I was on this roundabout I couldn't get off."*

*The word cancer instils fear of death into everyone. Your usual friends and family are anxious and everything is highly charged. I came to the Living with Cancer Course when it was all new and terrifying. To come here was such a relief.*

*You can live with cancer and have a really good quality of life. I'm cancer free just now but I'm at a very high risk. But I can bear all that with the help of Maggie's and the people that I meet here.*

*They've got so much knowledge and experience and that takes away the stress and anxiety. Here it is like being equal. Cancer levels you. It puts it all in a place."*

- Maggie's is non-institutional. Each centre is a homely, informal, domestic environment, with support being tailored to the individual needs of those who visit - there is no appointment system, time limits or set requirements on visitors.
- All Maggie's centres are free of charge to anyone who uses them and dedicated to provide psychological and emotional support to anyone affected by cancer and their family and friends.
- Following the success of Maggie's Centres across Scotland (centres in Glasgow, Edinburgh, Dundee, Highlands and Fife) Maggie's needs to raise £15m over the next 5 years to fund the extension of its network throughout England and Wales. Maggie's London (Charing Cross Hospital) is opening in Spring 2008.
- Maggie's long-term goal is to expand to meet the support needs of everyone living with cancer and their family and friends across the UK.

*A longer version of this article appeared in the Telegraph Magazine.*

t2e supported Maggie's Centres through its 2006 Christmas Card.

If you wish to learn more about Maggie's Centres or The Joy of Living Campaign visit [www.maggiescentres.org](http://www.maggiescentres.org).

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## Market response to revised targets

*Jonathan Short - Managing Director, Alternative Waste Solutions*

A new year and further challenges to be met by the plastics reprocessing and exporting industry. There is a belief in the market that a further 40,000 tonnes of plastic PRN's will be required this year; this will be confirmed by the end of February – how will this be met?



The ever increasing regulatory burden, in particular demonstrating 'broadly equivalent standards', a deliberately woolly definition; the Government are well aware that environmental and health and safety standards in the vast majority of of Far East industry falls well behind those required in the 'developed' world. This coupled with 'proving' the material in question is packaging and has been 'reprocessed' – why would anything other than this have occurred to material worth \$100 - \$800/t? - will prove to be an obstacle. Let's be clear, we welcome regulation as it forces the less honest elements out of our industry but the lack of consistency from one Agency office to another can be extremely frustrating. We are expected to demonstrate tracability and transparency (commercial confidentiality does not enter into it) with little guidance – 'that's what we want but it's up to you to prove it'. Recent low PRN values has forced many of the smaller companies to simply not apply for accreditation – not worth the hassle! PRNs do not actually give companies

like ourselves any benefit – we are merely acting as an administrative centre for compliance schemes and obligated companies – as all the value is passed back to the supplier.

### Revised targets announced by DEFRA

Year	2008		2009		2010	
	Old	Revised	Old	Revised	Old	Revised
Paper	67.50%	67.50%	68.00%	68.50%	68.50%	69.50%
Glass	73.50%	78.00%	74.00%	80.00%	74.50%	81.00%
Aluminium	32.50%	35.00%	33.00%	38.00%	33.50%	40.00%
Steel	58.50%	68.00%	59.00%	68.50%	59.50%	69.00%
Plastic	24.50%	26.00%	25.00%	27.00%	25.50%	29.00%
Wood	20.50%	20.50%	21.00%	21.00%	21.50%	22.00%
Recovery	68.00%	72.00%	69.00%	73.00%	70.00%	74.00%
General	92.00%	92.00%	92.00%	92.00%	92.00%	92.00%

*Changes to targets in red*

What will be the outcome? I suspect that during 2008 we will see far higher plastic PRN prices than last year and that cost will ultimately be picked up by the obligated companies; another increased cost forced upon them by the Government. Viva bureaucracy!

*Lindsay Millington*  
Director General  
British Metals  
Recycling Association



DEFRA's new packaging recovery targets for 2008-2010 for metals should be fully achievable. But two important issues need to be addressed. First, more needs to be done to improve the collection of household metal packaging and its separation from other domestic waste streams. Metal is the most recyclable material. It can be melted time and time again to make high quality 'new' material. In the UK we already recycle around 15 million tonnes every year, with well-established markets both at home and abroad. But DEFRA's Waste Strategy for England 2007 indicates that an additional one and a half million tonnes still goes to landfill, and a significant proportion of this is food and beverage cans and other household packaging. Improved kerbside collection, together with more widespread public education about the recyclability of metals and the 'spin off' environmental benefits, such as energy savings and reduced use of virgin resources, would be an important step forward.

The second problem is the extent of paper-chasing required when packaging materials are exported, particularly the need for documentary evidence that overseas reprocessors operate to "broadly equivalent" standards. Metals are a valuable commodity, selling at hundreds or thousands of pounds a tonne. This type of commodity trading makes it extremely difficult to collect the required paper evidence. Despite the very real efforts made to do so in 2007, it is likely that paper records will understate the amount of packaging metals actually exported. Moreover, chasing of 'proof' is unnecessary since it is only because bona fide metal recyclers require raw material supply that this high value market exists. It seems that many other European countries are prepared to make the assumption that fully processed recovered metals will be recycled to appropriate standards. We hope that DEFRA and other regulators will be able to take a similar view.

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