

## Market Status – February to April

by Andrew Fendick

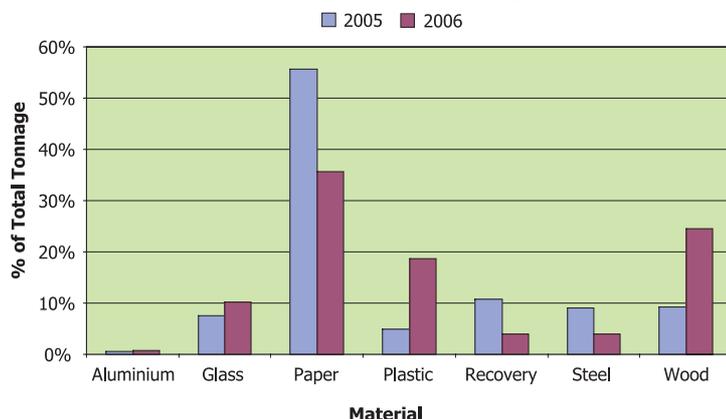


In quarter one this year we have seen a general softening of price across all markets with relatively slow trading up until April, when tonnages started to increase in volume. Trading in 2006 PRNs started off slowly as buyers considered the implications of the obligation targets changed by DEFRA in December; additional changes in the way buyer's operational plans are reviewed by DEFRA meant that resources within obligated companies were not directed towards procurement. As demand was slack and supply relatively strong, this had a dramatic impact on PRN prices. This softening of prices persisted until April when demand strengthened, as buyers, now certain of their requirements, started to come into the market, stabilising prices.

Spot trading in the period was broadly similar to that of the same period in 2005 with 93,912 tonnes traded (compared with 90,449 in '05). 34,850 tonnes were traded and settled in the April forward market (compared to 4,000 in April '05).

Trading patterns are showing a noticeable difference this year compared to previous years. Paper has a much smaller share of the market with both Wood and Plastic showing huge increases and Glass also significantly increasing its market share (see chart below).

Comparison of Quarter 1 Spot Trading for 2005 & 2006



### Market material analysis:

**Paper** – traded from a high of £10.75 in February to a low of £7.75 in April. Total volume for the quarter was below expectations, a total of 34,254 tonnes traded in the spot market which is 33% down, a marked difference, to 2005.

**Plastic** – traded from a high of £31.00 in February to a low of £25.50 in April. Overall total volume for Plastic in the quarter was 17,910 tonnes in the spot market, a 292% increase on the same period in 2005.

**Glass** – traded from a low of £23.00 in February to a high of £27.00 in April. Total volume for the quarter was 9,819 tonnes, a 41% increase on the same period in 2005. Due to strong demand Glass was the only material increasing in price in the quarter.

**Steel** – traded from a high of £123.00 in February to a low of £50.00 in April. Total tonnage traded for the period was 3,815 tonnes which represented a decrease of 55% on 2005. The DEFRA carry forward figures have caused a sharp re-alignment of the Steel PRN price with carry forward tonnages higher than expected; with a strong quarter for exports the PRN price has dropped dramatically.

**Wood** – traded from a high of £10.00 in February to a low of £8.00 in April. Total tonnage for the quarter was 23,610 tonnes, a 175% increase on 2005.

**Recovery** – traded continuously at £3.00 throughout the period. Volumes have disappointed with 3,728 tonnes trading in the period, a decrease of 62% on 2005.

**Aluminium** – traded from a high of £160.00 in February to a low of £120.00 in April. Tonnage was up on 2005 with a total of 776 tonnes, an increase of 31%.



## Managing Director's Quarterly Report

Quarter 1 has continued to see active trading slightly up (3.8%) on this time last year as the market struggles to adjust to some of the changes that DEFRA has implemented. The forward markets continue to gain momentum with the largest delivery yet in the April 2006 and forward trades in this quarter increasing by 61%. Both buyers and sellers have found the certainty these contracts provide desirable in uncertain times.

Many reprocessors and exporters struggled to get independent audit reports submitted by the revised deadline of 31 March 2006. It was a pity that the Institute of Chartered Accountants did not decide to become more closely involved earlier. The audit reports have highlighted some inconsistencies and arithmetical errors. In future they should help to improve the consistency of accreditation. Those that used the t2e independent audit service found it both time and cost effective and it met the deadline. All reprocessors and exporters are recommended to encourage their auditors to attend the independent audit 'wash-up' day hosted by DEFRA on the morning of 9 June 2006.

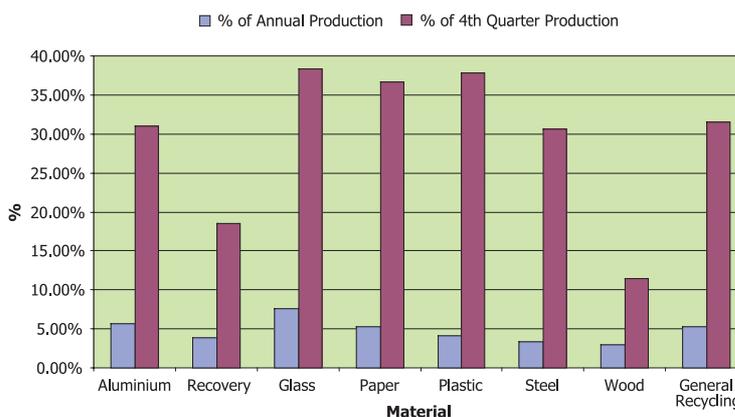
Fraud continues to be an issue. Reconciliations between figures published by HM Customs and Revenue and the number of PERNs issued by the paper exporting sector shows a divergence of some 200,000 tonnes or 21.22% for 2005. Of concern is that the divergence appears to have grown to 28.65% in Q1 of 2006. If this problem is reflected across all export sectors, industry spent over £10 million in 2005 on exports of UK packaging waste that never happened. Fraud benefits no one, the value of the PRN/PERN is devalued for sellers and as a result the Government is submitting false figures to Europe. Exporters must ensure their house is in good order or else they risk losing the PERN altogether.

In this quarter DEFRA has published the figures for 2005 and Q1 figures for 2006. Carry forward has been a source of amazement. Aluminium and steel carried forward over respectively 5.7% and 3.3% of their annual production in markets that until January looked as though they might be under-supplied. This reinforces the concerns of market abuse that were aired earlier in 2005. Glass, paper and plastic all carried forward close to 40% of their Q4 production, surprising as only December tonnage is eligible. Overall the UK all but achieved its 2008 targets in 2005. With little need for further growth this is depressing for those that were relying on PRN income to fund their growth. And China's voracious expansion has absorbed an additional 40% of exports in Q1 of 2006.

On the demand side many compliance schemes and independently obligated companies have been bewildered by DEFRA's analysis of their compliance plans. Why are they expected to contract 90% of their 10 tonnes of aluminium in January when they do not get a consolidated obligation until April? If they have a turnover of less than £5 million, why do they have to have a compliance plan just because they handle in excess of 500 tonnes when their obligation is the same as someone else with the same turnover who handles less than 500 tonnes? Why should they be forced into taking contracts in a market that is in surplus and values declining? What sort of contracts anyway? How are they supposed to know how much tonnage a reprocessor has contracted and in particular how are they to know if their element is the surplus element?

Should the Government not be more concerned about reprocessor and exporter fraud than when exactly they are going to buy their PRNs? Particularly as the market has worked higher value PRNs and secondary raw materials have expanded the supply of PRNs and by all indications the high value of material will be sufficient to sustain this growth through 2006.

Carry forward 2005 - 2006



At the time of writing, we are anticipating the start of our new interactive service. It will be launched at the letsrecycle.com stand on the 1st June at letsrecycle.com live! after the 'Using PRNs' seminar. We hope this will be a useful addition to our existing services. Thank you to all market participants and supporters. We look forward to continue being of service to you.

**Angus Macpherson**  
Managing Director



## First Interactive Trade

On June 1 2006 at letsrecycle.com live! at Stoneleigh in Gloucestershire, t2e launched its new interactive trading service. The first interactive trade took place at the letsrecycle.com stand. Interactive trading is available only to members of The Environment Exchange. For more information, see our website [www.t2e.co.uk](http://www.t2e.co.uk) or call us on 0870 607 1354.

The collage includes several screenshots from the t2e website:

- Login Screen:** Shows a login form with fields for "User name" (First Tester) and "Password" (\*\*\*\*\*), and a "login" button.
- Trade Report:** A table showing trade details:
 

Reference	Market	Product	Price	Original Quantity	Traded Price	Traded Quantity	Un-traded Quantity
009315	Spot 2006	2006Paper	10.00	20	10.00	20	0
- Steel Market:** A table showing buy and sell prices for steel:
 

SIZE	BUY PRICE	SELL PRICE	SIZE
100	90.00	120.00	100
100	85.00	125.00	100
- Plastic Market:** A table showing buy and sell prices for plastic:
 

SIZE	BUY PRICE	SELL PRICE	SIZE
100	30.00	34.00	100
200	15.00	38.00	150
- Recovery Market:** A table showing buy and sell prices for recovery:
 

SIZE	BUY PRICE	SELL PRICE	SIZE
1000	1.20	2.50	25
		7.50	100
		8.00	100
- Glass Market:** A table showing buy and sell prices for glass:
 

SIZE	BUY PRICE	SELL PRICE	SIZE
100	32.00	34.00	100
100	30.00	35.00	100
- Wood Market:** A table showing buy and sell prices for wood:
 

SIZE	BUY PRICE	SELL PRICE	SIZE
100	7.00	24.00	100
		305.00	100
- ORDER CONFIRMATION NOTICE:** A document confirming a trade on 15 May 2006 at 12:53. It includes a table for the trade:
 

Contract	Type	Order Date	Time	Tonnes	Price	PRN Class
6732	Sell	15 May 2006	12:53	150	£36.00	2006Plast
- Trading Online - Selling:** A screen showing "Pending Actions" and "New Offer" forms. The "New Offer" form includes fields for Market (Spot 2006), Product (Aluminium), Offer Quantity (0), Offer Price (£), and Offer Expires (13/06/2006).

## Forthcoming Events

**6 & 7 June** t2e will be exhibiting at the IEMA Annual Conference, Chateau Impney, Droitwich Spa, Worcestershire. For further details visit: <http://www.iema.net/conferences/conference2006/bookingform>

**9 June Independent Auditing Meeting**  
DEFRA will host a meeting on independent auditing to which all reprocessors, exporters and/or their independent auditors are invited at Ashdown House, 123 Victoria Street, London SW1E 6DE on 9 June 2006, 09.30-12.30. Lunch will be provided.

If you or your auditor wish to attend, please call 0131 220 4870 or email [info@t2e.co.uk](mailto:info@t2e.co.uk) for further information.

## Where are we going with WEEE?

by Angus Macpherson (an edited version of this article appeared in Materials and Recycling Week)

As the DTI draws its second informal consultation to a close, some form of workable structure is beginning to crystallise and a timeline, with 2007 as the first compliance year, which could be stuck to.

The Waste Electronic and Electrical Equipment (WEEE) Regulations aims to increase both the rate of separately collected household WEEE to a level above 4kg per household (the UK currently is thought to achieve in excess of 7kg) and the recovery rate of all WEEE that is separately collected to over 70 - 80%. Retailers and distributors of WEEE are responsible for paying for and organising 'take back' schemes from private households or they must offer in store 'take back' on a like for like basis.

Producers and Importers of WEEE are responsible for the costs of collection, treatment and recovery from the Designated Collection Facilities (DCFs) where separately collected household WEEE must be taken. For anything to be considered towards the targets it must pass through a DCF and be treated at an Accredited Treatment Facility (ATF).

All producers and importers, regardless of size or tonnage handled (estimated to be some 20,000 companies) must either join a compliance scheme or set up a single company scheme for themselves. Crucially an area that has not yet been cleared up is how data is going to be compiled, when it is required or how obligations (costs) are going to be allocated. Local Authorities and others have assumed that their Civic Amenity sites are the natural locations for DCFs and are currently negotiating with the only prospective retailer scheme to secure funding. An offer of £6,000 per site is on the table.

For other businesses, recovery targets must be reached for WEEE once it is separately collected. At this stage, although it is clear that treatment must be done at an ATF it does not appear necessary to pass through a DCF prior to arrival at the ATF. Any associated costs are the responsibility of businesses for historic WEEE (put on the market prior to 15 August 2005) producers for non-historic WEEE.

It is planned that DCFs should be approved by retailer schemes and accredited by the DTI. As all sites need approval from the Environment Agencies, this additional layer of accreditation seems excessive. Surely all that is required is that retailer and producer compliance schemes nominate in their operational plans potential DCFs from a list of Agency approved DCFs. If more are required then the retailer schemes have to set them up. Also only compliance schemes, not ATFs or DCFs, can arrange for collections from DCFs. They may then allocate WEEE to any ATF of their choice, while this has been done to avoid 'cherry picking' it appears overly restrictive.

ATFs will produce evidence of their activities. This will require a statement of the % of WEEE received sent for recovery. The record keeping process required of ATFs is not dissimilar to that accredited exporters have to demonstrate to become accredited under the packaging regulations. This evidence is transferable.

### The next stage:

- For those involved in the collection of WEEE from households:
  - Establish a retailer scheme or become affiliated to a retailer scheme.
- For those involved in the treatment of WEEE:
  - Become an ATF. Arrange a relationship with a compliance scheme.
- For those involved in the aggregation of WEEE at a single location:
  - Become a DCF. Arrange relationships with retailer and compliance schemes.
- For those involved in the collection of WEEE from DCFs:
  - Become a compliance scheme.
- For established packaging compliance schemes:
  - Establish a WEEE compliance scheme.

### Where can you find more information?

Without regulations in place, detail is lacking and none of these organisations exist, although there are several aspiring compliance schemes. Regulatory criteria required to either store (DCF) or treat (ATF) WEEE can be obtained from your nearest Environment Agency.

**The Environment Exchange**  
**41 Charlotte Square, Edinburgh, EH2 4HQ**  
**Tel: +44 131 220 4870 Fax: +44 131 220 4847**