

The Marketplace for PRNs

Market Status Report By Tom Rickerby, Head of Trading



Steel, Aluminium, Paper, and Wood closed the year with unsold tonnage and prices at rock bottom as the General Recycling floor price collapsed. Meanwhile Plastic and Glass Remelt failed to hit their in-year target creating a volatile and unpredictable close to the compliance year, with the latter hitting all time highs.

During Q4, 350,425 tonnes traded on t2e, down 9% on Q3 and down 36% on Q4 2020. Trading was split as follows: 195,800t in the 2021 Spot Market, 47,815t in the 2022 Spot Market, 860t in the 28 Day Rolling Market, 42,400t in the 2021 Forward Markets and 63,550t in the 2022 Forward Markets.

Paper

Despite an 8% increase in obligation and in-year oversupply hitting a 12-year low, at £0.30 per tonne, Paper registered in Q4 its lowest ever quarterly average price on t2e. The roots of paper's collapse are both the record carry-in from 2020 and fierce competition for diminished General Recycling demand. Opening 2022 prices found early support at £3.50 in the Forward Markets. However, selling pressure for transitional tonnes saw Spot 2022 prices drop 45% to close the year at £1.50 per tonne. Weak prices failed to generate demand with traded volume across all markets falling 55% on the same period last year.

Plastic

Plastic has failed to generate enough PRNs in-year to hit its recycling target for the second time in 4 years. Environment Agency action, export restrictions and a clamp down on European interim sites saw second half production drop to the lowest level since 2018. Following weak Q3 supply data, Spot prices rallied 157% to a quarter high of £90.00 per tonne by mid-November. However, Plastic has struggled to hold onto gains all year and November's price pump was followed by another dump, with prices briefly dropping to £45.00 before rebounding to find support between £65.00 and £70.00 through to the end of the year.

Steel

Steel prices succumbed to the inevitable collapse of a market carrying significant oversupply into the final Quarter. Spot prices fell 81% to close the year at £0.90 per tonne, a repeat of the 2020 market. Steel's yearly average (£10.45) fell to the lowest level since 2017. Despite the relative ease that Steel has complied again this year, Q4 supply failed to hit target as generation fell 16% on the Q1-3 average. Whilst this abrupt decline may reflect sellers' despondency at the collapse of the PRN value, it may also signify a slowdown in scrap markets and an early warning for the 2022 market. The 2022 transitional price opened at £15.00 but softened 15% to £11.00 on weak demand.

Aluminium

2021 Aluminium PRN markets have struggled with a supply and demand mismatch. A 20% oversupply caused an irreversible slide that saw PRN prices close at £1.25 per tonne. For the second year in a row, Aluminium has left significant unsold tonnage on the table, prompting little early support for the 2022 forward markets. Selling pressure for transitional tonnage saw the Spot 2022 price drop to £7.50 at the close, the lowest opening Aluminium price for 8 years.

Wood

Having met its obligation in June, competitive bidding deserted the wood market, leaving it to fight it out with Paper for General Recycling scraps in the final quarter. This race to the bottom saw Spot prices fall to a record low of £0.25. Opening 2022 Forward prices briefly matched the Paper price at £3.50. However weak demand failed to consolidate the price and by quarter close distressed transitional selling saw the 2022 Spot nosedive to £1.25. A correction from which it may struggle to recover.

Glass Remelt

Remelt prices continued to surge at the beginning of Q4 as buyers scrambled for compliance in a market breaking all-time highs on a daily basis. By the end of November Spot prices had more than doubled to a record £200.00 per tonne but there were signs that the buying frenzy was beginning to fizzle out. A period

of stalemate forced sellers to return to the negotiating table with improved offers in early December and as price began to fall, November's gains quickly evaporated on weakened buying. Price continued to fall in January, hitting a 37-week low of £35.00 as the remaining buyers refused to meet the price expectations of sellers and weak buying support in 2022 Spot failed to offer a competitive alternative for transitional tonnage.

Glass Aggregate

For the first time ever Aggregate supply met its in-year target, breaking its long-term reliance on Remelt to cover the Glass Other supply shortfall. This shift has stimulated a significant divergence of values for each material. Whereas Remelt saw its second highest yearly average price (£46.06), aggregate prices fell to their second lowest (£11.15). Strong Q4 demand saw prices rebound from year lows (£5.50) to finish strongly, trading between £10.00 and £15.00. Q4 saw both the best average spot price and highest volume traded of the compliance year.

Q4 Nov 21 - Jan 22	High	Low	Traded this quarter	Quarterly Average Price	YTD Average Price	Total Volume
Paper						
Spot 2021	0.5	0.2	61,096	0.3	2.84	227,787
Spot 2022	2.75	1.5	12,027	1.85	1.85	12,027
Transitional JAN Forward 2022	3.5	2.5	12,954	2.95	2.98	31,954
JUL Forward 2022	3.5	3.5	13,500	3.5	3.5	34,000
OCT Forward 2022	3.5	3.5	4,000	3.5	3.5	7,000
Plastic						
Spot 2021	90	20	47,848	67.54	78.42	186,918
Spot 2022	90	66	14,350	78.23	78.23	14,350
28 Day Rolling 2022	75	70	860	73.2	73.2	860
DEC Forward 2021	90	60	9,020	85.04	72.63	23,820
Transitional JAN Forward 2022	100	79	5,429	89.22	79.57	9,429
APR Forward 2022	100	75	7,050	92.55	82.59	10,050
JUL Forward 2022	100	75	5,750	87.83	81.41	8,000
OCT Forward 2022	100	75	3,250	88.46	87.5	3,500
Glass Other						
Spot 2021	30	5.5	17,918	12.35	10.49	84,767
Spot 2022	10.5	10	2,974	10.23	10.23	2,974
Transitional JAN Forward 2022	13.5	13.5	1,000	13.5	13.5	1,000
APR Forward 2022	11	11	2,500	11	11	2,500
JUL Forward 2022	11	11	2,500	11	11	2,500
OCT Forward 2022	11	11	2,500	11	11	2,500
DEC Forward 2022	11	11	2,500	11	11	2,500
Glass Remelt						
Spot 2021	200	35	39,793	96.88	61.63	104,848
Spot 2022	80	40	7,075	65.61	65.61	7,075
Transitional JAN Forward 2022	162.5	90	8,000	109.74	109.74	8,000
APR Forward 2022	162.5	125	8,000	136.88	136.88	8,000
JUL Forward 2022	130	125	3,000	126.67	126.67	3,000
OCT Forward 2022	135	125	7,000	130	130	7,000
Steel						
Spot 2021	4.75	0.9	13,178	2.55	9.99	50,663
Spot 2022	11	7.5	4,691	8.63	8.63	4,691
Transitional JAN Forward 2022	15	11	4,406	11.95	11.95	4,406
Wood						
Spot 2021	0.75	0.25	14,346	0.38	2.5	90,732
Spot 2022	4	1.25	6,179	1.35	1.35	6,179
Transitional JAN Forward 2022	3	3	1,491	3	3.4	2,491
APR Forward 2022	3.5	3.5	2,000	3.5	3.26	8,500
Aluminium						
Spot 2021	4	1.25	1,621	2.75	17.08	17,415
Spot 2022	15	7.5	519	8.09	8.09	519
Transitional JAN Forward 2022	10	10	100	10	10	100

The Marketplace for PRNs

Managing Director's Comments Spring 2022

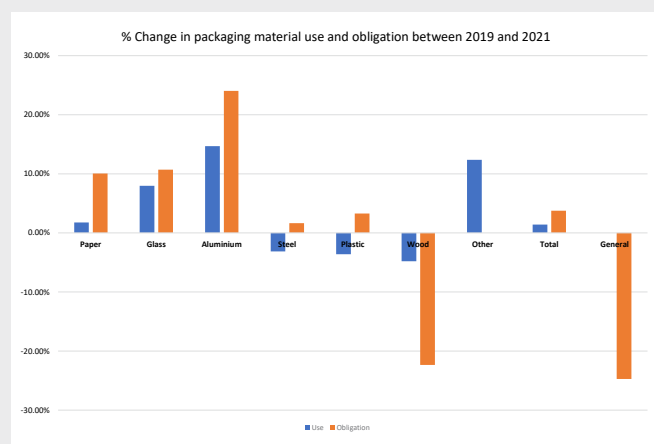


While trading in the final quarter of 2021 was relatively quiet, so much has taken place after its completion that it has been difficult to keep up! No sooner do Q4 figures arrive than they are joined by the eagerly anticipated response to the Extended Producer Responsibility consultation. Like its predecessor the response is no lightweight with over 400 pages to read supplemented by a consultation on PRN reform, a further

86 pages to digest. While Covid fades from the front pages, global logistics and supply chains remain disrupted by the reality of war in Ukraine. Despite this the PRN system has once again delivered compliance.

2021 Compliance

Packaging use has continued to grow despite the pandemic. The winners in tonnage terms are Paper, Glass and Aluminium while the losers have been Steel, Plastic and Wood. It is difficult to tell whether these reductions have been achieved through lightweighting or substitution. From an obligation perspective, where increasing material specific targets have an impact there has been growth in all except Wood and General Recycling.



The on-going squeeze on the General Obligation is a concern and contributes to the volatility in PRN prices. It is hoped that going forward this target will be more ambitious. Of small concern currently but potentially greater going forward is the growth of other materials used in packaging. If these are not recycled, this will create increasing challenges to meet targets.

Extended Producer Responsibility

The consultation response is comprehensive, a reflection of the

complexity of the consultation where answers to one question may be completely different depending on the outcome of the answers to another, and still lacks considerable detail. It appears more measured building on the achievements of the PRN system to date, although the initial stay of execution is subject to review in 2026/7.

All at the cost of £1.2 billion to industry between 2024 and 2033 or £41.00 annually per household! Additionally the allocation system will be stopped, reporting requirements will be extended to all businesses with a turnover of £1 million that handle in excess of 25 tonnes of packaging and there remains an ambition to stop the export of plastic waste to non-OECD countries.

Year	2023	2024	2030
Targets	Business	Overall	
Plastic	61	51	62
Aluminium	69	45	50
Steel	87	82	85
Paper	83	80	89
Glass	82	75	83
Of which: Re-melt	72	74	80
Wood	35	TBC	TBC
Total	77	68	76

Most of the reforms proposed to the PRN system make sense. Data reporting should not only be improved to the regulator but also to the wider market, with this in mind an early Q4 report on 21 February would set the tone for the subsequent year.

2022 Compliance

The 2022 market has been slow to start. Companies may be trying to assess the possibility of a recession or inflation or are concerned about the high prices. The carry forward from 2021 although substantial was lower than anticipated, in hindsight this may be seen as a missed opportunity. Looking forward currently there is tension in all markets with Glass and Plastic looking particularly tight. Some have reacted swiftly to the response securing tonnage in the 2023 forward markets.

Thank you to James Fleming for his article. Regulating the Environment is a far from easy task. It is important that the regulator uses the information that is available to it as well as being timely, firm and fair. They cannot achieve it on their own. We look forward to meeting everyone as Spring and Summer progress and continuing to be of service to you.

Angus Macpherson
Managing Director

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to make better use of our respective enforcement capability and powers. Another example of our enhanced partnership with HMRC is the examination of VAT declarations against PRN data to forensically scope tax compliance.

Q: What would you like to see change to make the current PRN system, or any future system that is introduced under EPR, more robust?

Fines that match the crime will help to create a fairer PRN system and act as a deterrent to offending.

I would personally like to see improved guidance for reproprocessors and

exporters use of consultants, to ensure they receive the appropriate level of support and value for money, like the [Technically Competent Managers guidelines for permits](#).

There are many other changes on the horizon that will complement the regulation of Producer Responsibility, such as other regulatory reform and digital waste tracking.

Those who are motivated to offend will always find a way around any system. We will always work hard to stop those people and there is no doubt we can do that faster with your help. Reporting suspected or known offenders directly to us or anonymously via Crimestoppers really does help.

The Marketplace for PRNs

Q4 Supply Analysis By Andrew Letham, Operations Manager



The final set of data released for 2021 shows recycling to have risen 179,427 tonnes (t) Year on Year (YoY) with strong performances in Paper, Glass Remelt (despite missing its target) & Wood creating much of the uplift. Plastic and Steel fared less well dropping by 64,448t and 23,613t

respectively YoY with Glass Aggregate recycling also falling by 13,822t. Most materials comfortably met their individual targets and will take substantial but diminished carry-in into 2022. Despite the largest ever recycling return, Glass Remelt (1,348,354t) failed to meet its target in year which was also the case with Plastic as both relied heavily on carry-in from 2020 to meet targets.

Total recycling obligations grew YoY as target increases coupled with a rise in Packaging handled for all materials except Plastic and Wood added 3.25% (247,815t). The most significant change was seen in Glass Remelt which saw growth of 195,312t, reflecting the change in consumption habits during 2020 due to Covid 19 and the increase in Split between Remelt and Aggregate moving from 67% by way of Remelt to 72%. Paper also saw a sharp increase in obligation as a 4% target increase and growth in packaging handled saw 251,678t added to the obligation from last year.

As expected, obligated company numbers fell YoY as the fallout from Covid continued with 123 less companies registered at the end of the compliance year (7,132) than in 2020.

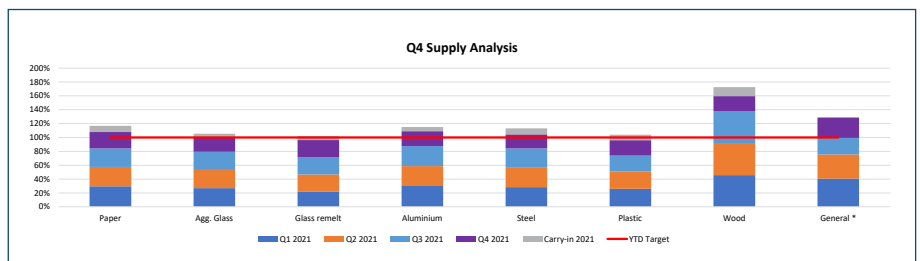
Strong returns for **Glass Remelt** in Q2 and Q3 meant compliance (with the help of carry-in from 2020) looked likely but markets remained tight with large volumes difficult to come by in Q4. Unsurprisingly, given the support on offer Q4 turned out to be the largest recycling return to date with the 357,440t reported 4% (13,793t) ahead of Q3 and 8% (27,135t) ahead of the Yearly average of 330,304t. This meant that although target was missed in year only half the 80,657t carry-in was required meaning a potential 40,000t carry forward was available for 2022. The confirmed carry-out was 60% ahead of this at 64,555t suggesting non-compliance from some parties in 2021. If packaging handled remains at similar levels in 2022 this could have a significant bearing on the market in 2022 as we await initial obligation figures for answers.

With compliance all but confirmed for **Glass Aggregate** in Q3 recycling dipped in Q4 with the 121,896t recycled 15% (21,000t) behind the yearly average. Despite the drop in recycling (13,822t) from the previous year, 2021 marks the first time that Aggregate has met its individual target since 2013, a feat made easier this year with a reduction in the percentage of total Glass that can be filled by way of Aggregate (28%). Carry forward into 2022 might have been greater than 16,619t confirmed however about the same amount was shown to be written off by sellers at the end of the year.

Plastic missed target in year and reported the worst return since 2018. The 1,111,789t reported as recycled in 2021, 53% of which were reprocessed domestically represent a 64,448t drop YoY as the Q4 return of 269,147t fell 16,485t (5.8%) below the average quarterly volume required. Despite this and owing to a large carry-in from 2020 and a larger than expected Q1 with tonnage moving in January 2021 instead of December 2020 due to shipping issues compliance was easily achieved. Looking ahead the 2022 compliance year is potentially tight if the final two quarters of 2021 are an indicator for 2022. However a larger than

Material	Carry In	Q1	Q2	Q3	Q4	2021 Obligation	YTD Supply + Carry In	Balance
Paper	299,118	993,998	940,482	898,627	969,075	3,367,022	4,101,300	734,278
Aggregate Glass	26,429	145,751	141,220	141,718	121,896	540,296	577,014	36,718
Glass remelt	80,657	301,216	346,052	343,646	357,440	1,389,334	1,429,011	39,677
Aluminium	8,326	41,631	39,672	39,974	35,120	138,374	164,723	26,349
Steel	33,644	109,904	108,042	108,119	91,848	387,656	451,557	63,901
Plastic	90,553	297,203	285,312	260,127	269,147	1,142,527	1,202,342	59,815
Wood	46,634	160,527	159,372	166,560	145,041	352,200	678,134	325,934
General *	0	220,878	190,800	129,419	160,215	544,111		
Total	504,704	2,050,230	2,020,152	1,958,771	1,989,567	7,861,520	7,175,070	1,286,672

*Please note the general supply figure has been generated from calculating the surplus material prns in each quarter and does not include carry in tonnage.



expected carry-forward of 64,671t due to some non-compliance in 2021 will be welcomed news for buyers.

With little to no incentive from the PRN for **Paper** sellers in Q4 recycling rates remained remarkably strong. 969,075t were reported as recycled in Q4, the second highest return of the year, contributing to a 435,160t oversupply before the 299,118t carry-in is considered. Another large carry forward of 269,643t will be taken into 2022 which will see a further 4% target increase. If Packaging handled remains similar in 2022 this could represent the addition of c.140,000t on the obligation which although demanding is achievable at current recycling rates.

Steel saw an increase in packaging handled in 2021 which can largely be attributed to panic buying during Covid. This meant a modest 8,370t uptick in obligation which closed the year at 387,676t. Supply dipped 15.5% in Q4 with little more needed to meet compliance after a very steady start to the year. Maximum carry forward of (37,025t) will be taken into 2022 which could prove to be a tight year as War in Ukraine continues and energy markets on which the industry is so reliant remain difficult.

Aluminium remained in excellent supply throughout the year and despite dropping 4% from the yearly average (40,425t) in Q4 (35,120t) finished in significant surplus (26,349t). A healthy 8,212t of carry forward will be available in 2022 which will also see a 3% target increase; however Aluminium is another market that could see a less than proportionate rise in obligation if the 11.5% rise in 2021 was in part due to Covid. Like Steel, War and Energy prices could also be a disrupting factor to the Aluminium market in 2022.

Having met its individual target (352,200t) by the halfway point of the year **Wood** was generating PRNs for the General Recycling pot from very early on. Surprisingly generation remained strong in Q4 down just 10.5% (17,112t) from the yearly average (162,153t). With recycling targets remaining the same for Wood (35%) in 2022 and a large carry forward of 41,997t sellers will be hoping for a large Paper and General Recycling obligation to bring some much need stimulus to the market.

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The Marketplace for PRNs

Q & A with James Fleming



Q: Please introduce yourself and tell us about your role at the agency?

I've worked at the Environment Agency for 9 years, the last 6 in the world of Producer Responsibility and Illegal Waste Exports, specifically serious investigations.

We use an intelligence led and risk-based approach to target non-compliant operators and where necessary pursue enforcement action against

those who contravene the Producer Responsibility Regulations and Waste Shipment Regulations.

Q: What are the biggest challenges your department faces?

The Environment Agency aims to eliminate waste crime and poor performance in the waste sector by 2043. Our approach is to prevent it from happening in the first place, to detect it when it does occur and deter would-be criminals and poor performers from engaging again. With finite resources, this is challenging but we're ambitious and intend to deliver this outcome.

The Producer Responsibility and Waste Exports sector can help us achieve this.

I encourage you to report Producer Responsibility non-compliance to my team via [email](#)

Or via the 24 hour Incident hotline - 0800 80 70 60

Alternatively you can report waste crime anonymously to [Crimestoppers](#), Telephone: 0800 555 111

Q: What steps are being taken to improve confidence in the PRN system and is there a possibility of Monthly reporting becoming compulsory?

In 2019 a national team dedicated to Producer Responsibility and Waste Shipments was formed. This has resulted in greater focus on PRNs and PERNs.

Reporting requirements are prescribed in the Regulations, compulsory monthly reporting would require regulatory change.

In 2021 alone 12 packaging accreditations were cancelled, these actions combined with suspensions prevent the undercutting of legitimate business.

Our compliance annual monitoring plans for the Packaging Waste Regime are published on gov.uk each year. These along with subsequent reports on our annual compliance monitoring activities are also published on gov.uk help ensure confidence in the regime.

Q: What tools does the Agency have at its disposal to help identify and deter fraud within the PRN system?

We utilise a host of different tools including routine application assessments, desktop monitoring and analysis, intelligence and compliance audits.

We also work closely with external Partners such as: Police, HMRC, devolved agencies and overseas authorities.

By using sophisticated technology we're continually improving our intelligence-led and risk-based approach to target non-compliance and fraudulent activity. Not only do we pursue enforcement action, we're able to tactically prevent and disrupt illegality in line with the [Home Office's 4Ps strategy](#).

We will recover criminal assets under the Proceeds of Crime Act - ensuring crime does not pay.

Q: What penalties or deterrents are in place to deter free loading and penalise those abusing the system?

Our [Enforcement and Sanctions policy](#) and [Offence Response Options](#) details our approach to compliance and enforcement and the options available. If a Packaging Producer fails to register, the criminal enforcement response could be a warning, caution or prosecution. Civil sanctions could be a fixed monetary penalty, a variable monetary penalty or an

enforcement undertaking offer.

Q: How important in the accreditation process is conducting financial and/or governance checks on the directors of reproprocessors or exporters?

We employ a multitude of checks to establish an operator's ability to comply.

As with all marketplaces there's also an expectation for businesses to conduct their own background checks: confirm the legitimacy of business partners and products, protect themselves from fraud and demonstrate accountability.

Without strong strategic measures to mitigate risks any complacency can be damaging to a businesses' reputation.

Q: The possible cancellation of PRNs has caused concern. Please can you explain what the agency is trying to achieve and how it has/will be implemented?

Comparative mechanisms for regulator led cancellations already exist in other regimes. The ability to cancel PRNs/PERNs will:

- encourage appropriate waste management, reducing risks to human health and the environment
- improve data accuracy
- provide a fairer marketplace for legitimate business
- protect buyers of illegitimate PRNs from handling criminal property
- prevent unlawful PRN revenue
- promote an increased focus on universal due diligence checks for quality assurance at each stage of the transaction
- safeguard the PRN's reputation and increase Industry's confidence

The cancellation of PRNs will be made in line with our [policy](#), it can bring operators back into compliance, prevent and disrupt offending, or accompany other enforcement interventions.

Q: Calls for all end destinations of plastic waste to be R3 accredited saw the removal/repayment of a significant amount of Plastic PRNs. What has been the net result of this?

All export PRNs must be issued on material that has been finally reprocessed. In 2021 the new Basel [plastic code \(B3011\)](#) supplemented the legal framework.

Waste adjustments resulted in improved data accuracy on end destinations, assuring us the receiving overseas sites and reprocessing activity was appropriate.

It's increased general awareness that accredited exporters must comply with the Waste Shipment Regulations and has maintained a competitive marketplace for compliant operators.

Q: What is the direction of travel for the Agency regarding the regulation of the export of waste?

Eradicating serious organised crime in Producer Responsibility and waste exports are a priority. In recent years we have forged even stronger links with HMRC and overseas authorities. Collaborative approaches will yield more effective results by combining expertise and enforcement powers.

Expect to see more checks at load sites, stops at UK and overseas ports and Fixed Penalty Notices in the future.

Compliance with the Waste Shipment Regulations is now intertwined into Producer Responsibility Conditions of Accreditation, meaning an exporter can be stripped of their accreditation if non-compliance is identified.

Q: Is anything being done to address concerns raised in the NAO report about the difference in data between waste exports recorded by HMRC and PRNs claimed by exporters?

Since the National Audit Office's report we've strengthened our partnership with HMRC, this has resulted in better data sharing and multiple collaborative enforcement interventions **Continued on page 2**