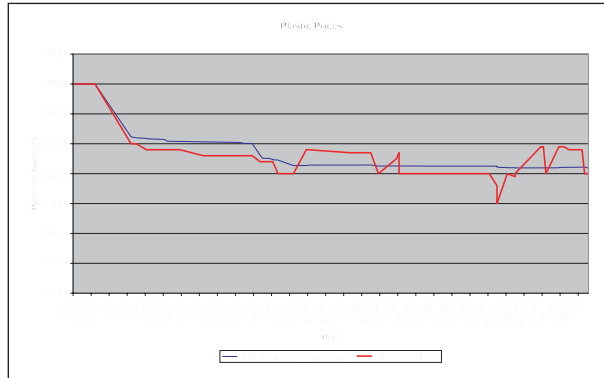


Plastic, unlike other PRN types, has seen a steady decline in price to the point where it is currently 33% less expensive to buy Plastic PRNs in 2000 than it was on average in 1998 or 1999. Plastic continues to hold higher value than other material types as there is uncertainty as to whether there is sufficient supply to meet the material specific demand, hence price volatility has been slightly higher at £10 from the mean.



On current expectations the trend towards higher priced PRNs looks set to continue in 2001 as supply and demand come into balance.

Forth-coming Events

OMEE is already planning to exhibit at a number of shows in 2001. Below are some dates which may be of interest to you and we look forward to seeing many of you there:

PAKEX	NEC, Birmingham	2nd - 6th April
IWM 2001	Torquay	12th - 15th June
Recycling & Waste Management Exhibition	NEC, Birmingham	11th - 13th September
EMF 2001	Olympia, London	23rd October

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ISSUE NO 8 - November 2000

QUARTERLY REPORT

The 2000 obligation year is into the final quarter and as in previous years the signs are that much trading has still to be done. Whilst many obligated companies bought PRNs early this year there still appear to be a large number who will buy late.

During 1998 and 1999 PRN values tended to decline gradually during the year, but in the third quarter of 2000 we have seen a steady firming of prices. Whether this trend continues into December and January remains to be seen.

This issue covers the following:

- 2000 PRN prices
- Managing Director's Comments
- OMEE PRN market statistics
- Forth-coming Events

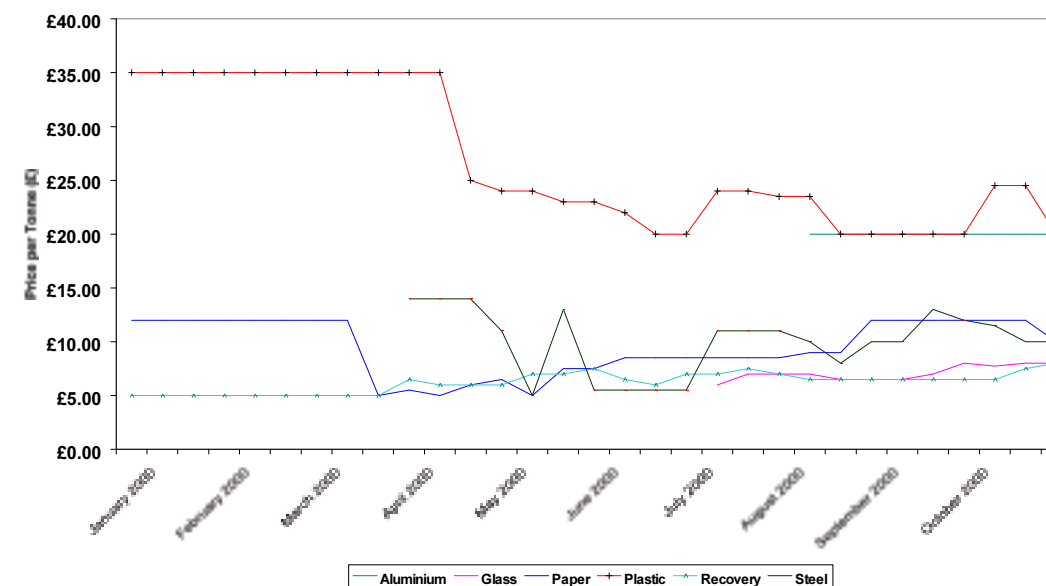
2000 PRN prices

Below are the average PRN transaction prices for 2000 PRNs to date this year.

	1999 Average PRN Prices	2000 Average PRN Prices
Aluminium	£12.49	£20.00
Glass	£5.35	£6.86
Paper	£6.12	£6.91
Plastic	£31.48	£20.93
Recovery	£5.92	£6.63
Steel	£6.82	£7.63

NOTE: All prices quoted above are volume weighted to give the most accurate average price picture. 2000 PRN average prices cover the period 1st January 2000 to 1st November 2000.

Below is a graph showing the Trade Price History for 2000 PRNs



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Managing Director's Comments:



Over 10% more than last year has already been traded through OMEE in 2000. With our busiest two months still to come this is very encouraging. There has been steady trading throughout the autumn with prices remaining firmer and above this year's average price to date. It is good to see faithful friends returning to the market and new ones joining. What is particularly encouraging is the increased interest by compliance schemes in using the market to both minimise the costs to their members and manage their members risks in a cost efficient manner.



This partially reflects uncertainty in the market with PRNs anticipated to be in short supply in 2001. While we still await the outcome of the government consultations both on the registration fees for 2001 and the level of the obligation it is difficult for reprocessors to plan the correct levels needed to meet the requisite recovery and recycling levels. OMEE has long advocated that the targets should have initially been set at 60% in 2001 with reprocessors and exporters being allowed to bank excess PRNs from early years for use during later years during the build up to 2001.

However at this late stage OMEE is concerned that 58% may represent too much of an increase too late in the compliance process and therefore advocated maximum targets of:

- 55% recovery
- 17% material specific recycling
- 27.5% general recycling



Increasing by 3% per annum thereafter until they are inline with any future European targets. We are delighted that the Government has now opted for a more realistic target of 56% recovery, 18% material specific recycling and 28% general recycling. OMEE would also like to see a Producer Responsibility Office established to agree the 'rules of engagement' and in particular to address the buyer liability that is faced by businesses with a legal obligation and their accredited representatives, compliance schemes. We do not feel that this is an appropriate role for the Agencies, as Regulators, to conduct but rather a complimentary one.

What appears clear from the consultation is that the areas of greatest challenge are going to be meeting the aluminium and plastic recycling targets and the overall recovery one. But at this stage there are still no clear indications of the impact of wood on both the overall obligation and reprocessing capacity. Regardless of which level the Government selects the market will be tighter in 2001 than in previous year's which will probably be reflected in higher prices.

However against this background of uncertainty our forward contract offers participants ample opportunity to buy PRNs today to guarantee compliance in 2001. Furthermore the Agencies have confirmed to us that the same end of year arrangements will apply this year as have occurred in previous years. As a result we will be offering a market-place for 2000 PRNs which can be used to offset the 2001 obligation from 15th December 2000.

On other fronts there are on-going consultations on both Renewable Electricity Certificates and Carbon Emissions Reductions Certificates and at this stage it looks as though OMEE will be able to offer spot and forward market-places for these during 2001.

Once again thank you for your continued support. We are constantly looking at ways that we can improve our service to you so please let us know where you would like to see changes. Finally we wish you an enjoyable Christmas and an excellent New Year.

Angus Macpherson
Managing Director

OMEE's PRN market statistics

This section shows a series of graphs that depict price movements for each type of PRN. For each type of PRN the graph maps the PRN traded price (bold red line) and the volume weighted average price (thin blue line). Aluminium PRNs are not shown in this section as no trading has occurred through OMEE in this category over this period.

It is possible to identify some interesting trends from these graphs. It is also valid to compare these patterns with 1998 and 1999 obligation years. During 1998 and 1999 PRN prices tended to fall steadily over the year with prices dropping steeply at year-end. Many people anticipated that this would be the case again in 2000, but as the charts show prices have, with the exception of Plastic, been moving steadily up during the year. As we enter the final quarter of the 2000 obligation year it remains to be seen whether this trend continues.

Both the traded price and the volume weighted average have been plotted for each PRN type in order to show these trends as clearly as possible.

For glass the two lines follow each other quite closely showing a very gradual increase in price throughout the period. Price volatility from the mean has been £1.50, a relatively small variation.

For recovery the two lines have tracked each other closely and over the year a steady increase in price has been seen. Price volatility from the mean has again been a very acceptable £1.50.

For steel the lines track each other much less clearly. Much of this is due to big volume trading early in the year at low prices which has created a volume weighted price that is relatively low in comparison to many of the smaller trades. In this instance volatility is much greater at £4.50.

For paper, the trend has had similarities to steel. Early big volume trading at low prices has resulted in a relatively low volume weighted price with higher priced, but lower volume, trading occurring in more recent months. Volatility as a result has been a higher £3.75 from the mean.

