THE ENVIRONMENT EXCHANGE
www.t2e.co.uk

Quarterly Report 109
Spring 2026

smart, simple, safe trading

The Marketplace for PRNs **Q4 2025**

Market Status Report By Tom Rickerby, Head of Trading

Policy change is often challenging and teething problems are inevitable. However, the 2025 EPR Packaging Regulations have been plagued by a series of avoidable failures in policy design and delivery, risks that now threaten to undermine the effectiveness of the PRN market mechanism. A more complex data methodology, combined with materially higher compliance costs, has driven a record number of packaging data resubmissions in 2025. This has left PRN market participants grappling with highly changeable fundamentals, producing distorted and unpredictable price signals.

Volatility has been further amplified by the absence of live data reporting functionality on the RPD platform. Instead, obligation data updates have been released only every two months – a regressive shift that has made effective price risk management exceptionally difficult. For sellers in materials that have suffered another year of collapsing values, the PRN system increasingly resembles an expensive, high risk and administratively burdensome process with diminishing reward.

Advocates of EPR may hope this represents a case of "darkest before the dawn", but significant operational challenges remain. Delays to the new sellers' online PRN issuing portal risk bringing the Spot market to a standstill, while revisions to the application process and accreditation conditions have created a backlog of determinations. Meanwhile, the change in point of issue for export PRNs threatens to drain liquidity and create acute cashflow pressures for some exporters. The outcome is likely to be a deeply dysfunctional market at the start of the 2026 compliance year. When coupled with a pending consultation on further PRN reforms and uncertainty around how the complexities of the 2027 DRS launch will interact with the current system, it may still be some time before the new Packaging Regulations win over their detractors.

Paper

The 2025 Paper market became the most oversupplied in the history of the PRN system. More than half a million surplus tonnes of evidence were generated, triggering the earliest collapse in value on record and rendering Paper PRNs effectively worthless for much of the final quarter. The Spot average price of £0.17 per tonne was the lowest ever recorded.

Transitional prices fared little better. Despite opening strongly at £4.00, they succumbed to the weight of availability, closing the year down 63% at £1.50 per tonne. Sellers will hope for a swift rebound in 2026, pricing in higher accreditation costs, increased operational risk, a 2% target rise and anticipated Q4 supply disruption linked to the change in the point of issue for export PERNs. Collectively, these factors should offer some correction to today's extreme supply demand imbalance.

Plastic

Q4 opened with Plastic prices rising as the market braced for the tightest finish since 2022 as the threat of non compliance loomed. Spot prices climbed 21% in early October to re establish the yearly high of £400. However, the release of updated obligation data on 14th November delivered an unprecedented shock, revealing a 26,000 tonne reduction in demand. The impact was immediate. Prices corrected sharply as previously bullish sellers rushed to offload volume, falling by more than 50% before stabilising near £200 per tonne.

A brief rebound towards £300 was halted in mid December by a further 9,000 tonne downgrade in the obligation data, effectively eliminating non-compliance risk. The remainder of the year saw Spot prices oscillate between £200 and £250 as late 2025 buyers competed with early 2026 transitional demand. Transitional and Forward prices mirrored this volatility, ranging from £220 to £320 in response to unpredictable swings in the Spot market.

Wood

Wood proved the surprise performer of 2025. After appearing destined for the same oversupply fate as Paper and Steel, the market rallied strongly in the second half of the year as supply tightened. Q3's recovery to £7.00–£8.00 per tonne held into December before softening as residual, non contracted tonnage surfaced ahead of year end.

Once this volume cleared, the market thinned rapidly. With pricing stabilising, volume buyers exited in early January, leaving late independents trading at increasingly opportunistic levels. Wood closed the year up 200% at £15.00 per tonne – a 30 month high – with 2026 Forwards opening at £7.50. Traded volumes also surged, rising 144% on Q3 and 96% year on year.

Q4 Nov 2025 - Jan 2026	High	Low	Traded this quarter	Quarterly Average Price	YTD Average Price	Total Volume
Paper						
Spot 2025	£0.40	£0.10	33,248	£0.17	£0.73	122,956
Spot 2026	£1.50	£1.50	37,363	£1.50	£1.50	37,363
Transitional JAN Forward 2026	£4.00	£2.75	5,000	£3.60	£3.78	9,000
Plastic						
Spot 2025	£400.00	£192.00	39,454	£283.33	£174.99	234,300
Spot 2026	£255.00	£220.00	11,000	£233.38	£233.38	11,000
28 Day Rolling 2025	£400.00	£200.00	10,849	£349.40	£198.29	77,999
28 Day Rolling 2026	£265.00	£225.00	2,824	£251.78	£251.78	2,824
Transitional JAN Forward 2026	£320.00	£230.00	5,842	£265.40	£265.40	5,842
APR Forward 2026	£240.00	£230.00	400	£236.25	£236.25	400
JUL Forward 2026	£240.00	£240.00	250	£240.00	£240.00	250
OCT Forward 2026	£240.00	£240.00	250	£240.00	£240.00	250
DEC Forward 2026	£240.00	£240.00	250	£240.00	£240.00	250
Glass Other						
Spot 2025	£105.00	£85.00	14,399	£95.10	£76.18	71,567
Spot 2026	£100.00	£50.00	616	£76.14	£76.14	616
Transitional JAN Forward 2026	£100.00	£96.00	1,500	£98.93	£98.93	1,500
APR Forward 2026	£90.00	£90.00	500	£90.00	£90.00	500
JUL Forward 2026	£90.00	£90.00	500	£90.00	£90.00	500
OCT Forward 2026	£90.00	£90.00	1,200	£90.00	£90.00	1,200
Glass Remelt						
Spot 2025	£120.00	£97.00	22,213	£103.29	£88.84	109,323
Spot 2026	£105.00	£105.00	2,000	£105.00	£105.00	2,000
Transitional JAN Forward 2026	£110.00	£110.00	5,500	£110.00	£110.00	5,500
Steel						
Spot 2025	£3.00	£0.40	11,915	£1.29	£7.11	49,847
Spot 2026	£7.00	£4.95	3,794	£5.62	£5.62	3,794
Transitional JAN Forward 2026	£5.50	£5.50	814	£5.50	£5.50	814
Wood						
Spot 2025	£15.00	£4.95	39,572	£5.91	£4.57	89,936
Spot 2026	£6.50	£6.00	1,705	£6.03	£6.03	1,705
28 Day Rolling 2025	£8.00	£8.00	459	£8.00	£4.27	6,452
APR Forward 2026	£7.50	£7.50	2,000	£7.50	£7.50	2,000
JUL Forward 2026	£7.50	£7.50	2,000	£7.50	£7.50	2,000
OCT Forward 2026	£7.50	£7.50	2,000	£7.50	£7.50	2,000
DEC Forward 2026	£7.50	£7.50	2,000	£7.50	£7.50	2,000
Aluminium						
Spot 2025	£40.00	£4.80	2,127	£14.79	£75.66	13,318
Spot 2026	£10.00	£10.00	593	£10.00	£10.00	593

Steel

The 2026 Steel PRN market followed a familiar deflationary pattern, largely devoid of risk. Supply recovered sufficiently to avoid any compliance threat, pushing Q4 Spot prices down for a third consecutive quarter to a four year low of 40p per tonne. For the second year running, all December PRNs are likely to be carried-out, threatening to dilute the new compliance year, locking Steel into a cycle of weak recovery, inelastic pricing and swift decline. Transitional prices opened subdued at £5.50. However, early H1 packaging data indicates a potential rise in 2026 demand. With commodity prices under pressure and seller disengagement growing, the year ahead may yet prove less predictable. *[continued on page 4]*

Managing Director's Comments - February 2026

Q4 2025 will be memorable for those impacted by Extended Producer Responsibility for a longtime. Not least for making the first payment to Pack UK! Data has been volatile and unpredictable, but also its availability has been sparse on both the demand and supply side with the national obligation still not known following the data publication on 30 March 2026. As 2025 transitioned to 2026, so too it became clear that not only were users struggling with the new technology but also the technology itself was struggling! Despite all, compliance was achieved by most in 2025 and, after a slow start, trading in 2026 is underway.

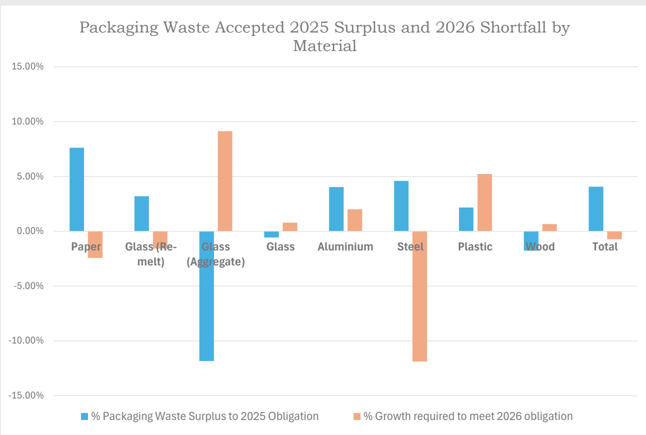
In January the Welsh Government launched a consultation on the inclusion of litter within the pEPR payment. While full of ideas justifying its inclusion, how to raise funds, which is bad luck for Welsh producers, and work out the cost, there is very little on how this payment will reduce littering or measure the effectiveness of those plans. It also offers no solution to litter collected outwith local authorities. Nobody likes litter but with so much uncertainty about the impact of pEPR, for now, this ambition seems one step too far.

After the quarter closed the much heralded consultation on PRN reform was published followed swiftly by 2025 final data. Meanwhile there is a proposal that a new supra-national EPR register should be launched in the EU to reduce the administrative cost and headache of registering in 27 different countries. Which in principle will be welcomed by many.

2025 Review

A late drop in obligation across the board meant that compliance was achieved with more to spare than anticipated earlier in the year. This surplus was absorbed into 2026 as falling prices in 2025 made 2026 look more desirable creating a sizeable carry forward, larger than many anticipated.

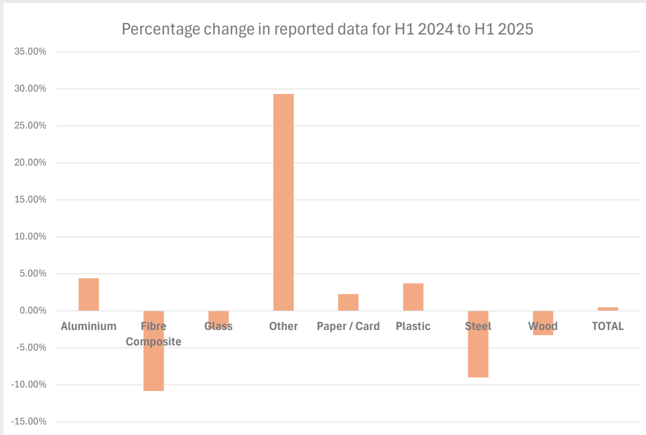
As the dust settles, only Glass Other (Aggregate) and Wood failed to make their targets in year. The latter came as a surprise as at the beginning of the year a significant surplus was anticipated due to the removal of the General Recycling Obligation. For Paper and Steel that anticipated surplus did occur with prices easing down to administrative values early in the year and almost all their December tonnage carried forward.



Buyers may yet be grateful for this additional reserve with the current turmoil in export markets and the change of the issuing point for PERNs potentially removing their availability for shipments in the final months of 2026.

Looking forward: 2026

With increased targets and increasing H1 data, both year on year and report by report, the producer obligation is anticipated to increase by some 250,000 tonnes. All materials other than Glass Re-melt, Paper and Steel will need to increase their PRN supply to meet the targets in year. The point of issue for exports will impact on PERN availability for Glass Re-melt, Paper, Plastic and Steel. At this stage, Plastic looks the most challenging target to achieve although Q4 downturns in Aluminium and Glass, in particular Aggregate, suggest their targets could become challenging.

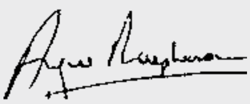


Looking forward: the consultation

The published PRN consultation asks about establishing a regular review of the protocols to reflect the changes in waste composition, potential cancellation of PRNs, a fall back compliance mechanism in the event that insufficient PRNs are available, increasing the information provided on cancellation or suspension of accreditation, registration of trading platforms and brokers. These are covered on page 4.

Additionally, there is merit on revisiting the benefits of retaining the General Recycling Obligation; the interface between the Deposit Return Scheme and Extended Producer Responsibility; more timely publication of producer data and the reasons for their status changing and requiring reprocessors and exporters to publish on a central website their packaging recycling activities and use of PRN funds.

Once again thank you for your support during this difficult and expensive time. We look forward to being of service to you throughout 2026, which looks to be as challenging as 2025.



Angus Macpherson
Managing Director

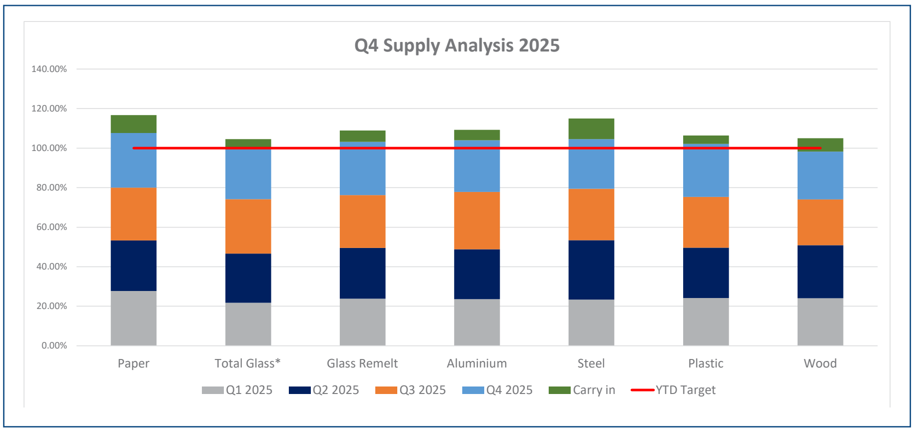
Q4 2025, Supply & Demand Analysis

By Andrew Letham, Operations Manager

With the final release of demand data for 2025, we have our first full view of obligations for the compliance year under the new EPR calculation. Total packaging handled increased to 1,307,896 tonnes (t); however, obligations fell by 410,232t (5.2%) Year on Year (YoY), reflecting revised packaging targets that appear somewhat undercooked. Paper and Wood recorded the largest increases in obligation, as DEFRA sought to offset the removal of the General Recycling target, with Plastic the only other material to grow YoY.

Material	Carry In	Q1	Q2	Q3	Q4	2025 Obligation	YTD Supply + Carry In	Balance
Paper	327,090	1,002,796	925,913	965,774	1,000,834	3,619,401	4,222,407	603,006
Total Glass*	84,521	357,077	408,179	452,261	413,837	1,640,673	1,715,875	75,202
Glass Remelt	70,561	292,676	316,960	328,837	331,280	1,230,505	1,340,314	109,809
Aluminium	7,630	34,121	36,571	42,073	37,919	144,844	158,314	13,470
Steel	36,877	82,667	106,413	92,469	89,022	354,293	407,448	53,155
Plastic	50,205	285,612	300,579	303,055	317,570	1,181,292	1,257,021	75,729
Wood	37,196	132,537	147,899	127,422	133,120	550,771	578,174	27,403
Total	*543,519*	*1,894,810*	*1,925,554*	*1,983,054*	*1,992,302*	*7,491,274*	*8,339,239*	*847,965*

**Total Glass consists of the combined total supply of Glass Remelt and Glass Aggregate.*



Total obligations rose by just 3% (224,092t) between the initial and final 2025 releases, a marked improvement on 2024, when 1,224,435t (18.3%) was added post-initial release. Large-scale resubmissions nevertheless made in-year forecasting difficult, with all materials except Aluminium and Wood finishing below their peak levels.

Q4 was the strongest recycling quarter of 2025, with 1,992,302t reported, only marginally above the weakest quarter in 2024, as most materials—aside from Paper—faced intermittent supply constraints. Lower obligations supported a healthy carry-out position, with 572,715t traded into 2026, up 29,196t on 2025. However, delays to Report Packaging Data (RPD) functionality, higher targets, and changes to the point of claim affecting deep sea exports, point to a more complex outlook.

Plastic closed the year strongly, with Q4 delivering the second-highest quarterly return on record at 317,570t, behind only Q3 2023. Obligation data remained volatile, finishing at 1,181,292t—50,000t above 2024 but 50,000t below the mid-September 2025 position. This instability drove pricing, with PRNs peaking at £400.00, the highest level since 2022, as meeting target looked in jeopardy. Despite this the year ended comfortably, with carry-out reaching 73,245t, the highest since 2020. All Q4 growth came from export, up 14.4% quarter-on-quarter, while domestic reprocessing declined by 4.4%. Looking ahead, a 2% increase in targets for 2026, combined with ongoing concerns over market stability, presents a more challenging backdrop. The closure of several domestic reprocessors during 2025, changes to the point of claim impacting exporter cash flow, and the forthcoming European ban on exports to non-OECD countries in May are all likely to weigh on confidence. The 2025 average price of £179.41 may prove difficult to repeat, with early 2026 prices already approaching double that level.

The **Glass** obligation (1,631,354t) fell to its lowest level since 2017 following an 8% reduction in the recycling target, while packaging handled increased by just 6%. Despite the lower obligation, the 413,837t reported as recycled in Q4 (331,280t Remelt and 82,557t Aggregate) was insufficient to meet target, leaving a shortfall of 9,319t. A surplus in Remelt narrowly failed to offset a 175,192t deficit in Aggregate. A carry-in of 85,521t from 2024 means that a very healthy 76,612t will be carried into 2026. However, a 2% target increase, tightening supply, and accreditation changes are likely to increase reliance on Remelt, which may increase costs to producers.

The outlook for **Paper** was effectively set before the year began, with a record carry-in of 327,090t from 2024 and the removal of the General Recycling obligation not sufficiently reflected in revised targets, which were reduced by 8% YoY. While 2025 recorded a new high in obligation at 3,619,401t, up 129,114t YoY, this increase did not go far enough to offset the 450,601t of Paper previously absorbed by General Recycling in 2024, resulting in an immediate surplus. The outcome was a second consecutive year of record carry-out, with 366,386t traded into 2026, despite total supply falling by 173,544t YoY to 3,895,317t. Looking ahead, Paper is likely to be the most exposed market to changes in the point of claim, with approximately 75% of exports moving via deep sea routes, alongside the potential for a further c.100,000t increase in obligation from the 2% target uplift in 2026.

Wood, the only material to see a target increase in 2025 (+3%), recorded the largest growth in obligation, rising 26.8% YoY. It also saw the greatest in-year uplift, closing 13.3% (65,081t) above the initial release at 550,771t. Noise from industry was that the target increase didn't go far enough, however, it was unlikely they predicted the worst recycling return since 2018 at 540,978t, down 93,476t YoY. This meant target was missed in year with a collapse in demand, just as arisings began to peak meaning that sites were quickly at or over capacity and gate fees were introduced. A further 1% increase in 2026, lower carry-out (25,205t) and the absence of several accredited operators suggest a challenging start to the year.

Steel delivered another steady year, with obligations falling by 7,698t YoY following a 7% reduction in targets under EPR. Recycling volumes declined slightly, down 2.3% YoY to 370,571t, but a strong carry-in ensured compliance remained achievable. A 1% target increase in 2026 is unlikely to materially shift the market; however, carry-in has fallen to 22,977t, its lowest level since 2023, which could become more relevant if conditions tighten.

Aluminium obligations fell by 6,574t YoY following an 8% reduction in targets. Recycling also declined, down 6,365t (4%) YoY to 150,684t, although compliance was comfortably achieved. Carry-out into 2026 increased slightly to 8,290t, with a 1% target increase set for the year ahead.

SOME THOUGHTS IN RESPONSE TO DEFRA's PROPOSALS FOR REFORM TO THE PACKAGING WASTE RECYCLING NOTE (PRN) SYSTEM

DEFRA's proposals aim to tackle fraud and error within the sector, enhance the PRN System's resilience to external shocks, and help to meet higher recycling targets for a greater range of packaging materials by:

- Providing further guidance on interpretation of the regulations.
- Placing a time limit on national protocols.
- Cancelling illegitimately issued PRNs and PERNs, (collectively PRNs).
- Introducing an exceptional mechanism for compliance.
- Enhancing data transparency.

The first two are not controversial. Their purpose is to ensure that PRNs are only issued on the tonnage of eligible packaging waste that is ready to enter the final recycling process whether that waste is being reprocessed domestically or exported.

Nor is the desire to enhance transparency, which involves providing greater detail on the cancellation or suspension of reprocessors or exporters and the registering of and data provision by marketplaces and brokers. This is not something that causes t2e concern as we already have a good working relationship with the Agencies and it is information that we already publish, although in this context it should be appreciated that all compliance schemes are brokers of PRNs.

More controversial are the proposals to cancel improperly issued PRNs and the exceptional mechanisms to allow compliance if there are insufficient PRNs available for all to comply.

While in principle all agree that improperly issued PRNs should not enter the system and, if they do enter the system, they should not remain, it is important that those that have bought improperly issued evidence in good faith do not suffer as a result, unless collusion with the seller can be identified. The issuer of the evidence is at fault and should bear the full brunt of responsibility for doing so, both financially, including making no financial gain from the transaction, and regulatorily. This applies whether the improperly issued evidence is cancelled or not.

However, while like for like replacement of improper evidence is feasible within the compliance year, it is not after the end of the compliance year and risks putting the acquirer's regulatory compliance at risk. It is also difficult to link improperly recorded log entries to a specific PRN or PERN and therefore difficult to identify with confidence who is the holder of the improperly issued evidence and therefore what price has been paid for it.

To calculate financial gain, consideration must be given to both the income that the issuer received from the original sale and to whom those funds if repaid go to, as a simple repayment does not resolve the regulatory non-compliance issue. A simple solution would be for the issuer to:

- replace the improper PRN with a valid PRN (one that can be accepted on the RPD) either in year or within a subsequent year as appropriate.
- calculate their income based on the highest price(s) it received for that tonnage in the relevant compliance year unless it can prove otherwise.
- use those funds to buy the replacement PRN either, if there is a loss, bearing the net cost of this replacement or, if there is a surplus, re-imbursing the buyer with any surplus.

This just resolves the buyer's financial and regulatory issues of non-compliance. The issuer can still be prosecuted by the Regulators as appropriate.

Timeliness is key, not only to achieve a solution within the compliance year, but also to avoid the improper issuer or the buyer ceasing to trade in the intervening period. On a case by case basis these specific circumstances justify submitting the certificate of compliance after 31 January in the compliance year and the purchasing of a PRN from a later compliance year to meet compliance in an earlier year.

But this is not a solution to the problem of a potential or perceived shortfall of PRNs in a specific compliance year, where two compliance mechanisms are proposed. One a compliance fee, effectively a fine paid by the producer as an alternative to purchasing PRNs. The other is extending the compliance period by a year to allow access to the subsequent year's PRNs to achieve compliance. t2e does not favour a compliance fee, which extracts funds away from reprocessors and exporters, who need it.

The extension proposal is supported by t2e, it keeps funds within the sector, it provides flexibility to cope with the vagaries of shipping, volatility of exchange rates, and uncertainties of weather and smooth the currently volatile transitionary period. It suggests that no extension is made to the compliance period so that effectively only January PRNs will be available for 'carry-back' to the previous compliance period, hence balancing the volume risk of 'carry forward' with 'carry back' reducing the potential creation of a shortfall in the subsequent year. This facility could remain in place constantly for all materials minimising administration and disruption, allowing both buyers and sellers to plan forward with confidence.

[continued from page 1]

Glass Remelt

Glass Remelt finished the year strongly, delivering its best quarterly supply despite generation declining for a third consecutive year amid shrinking Glass packaging demand. Supply and demand remained broadly balanced, enabling prices to hold firm through Q4. Spot prices strengthened from £97 to £120, producing a quarterly average of £103.29 – the highest of the year and the first move above £100 since Q2 2024.

Glass Aggregate

Glass Aggregate faltered after a strong Q3, with generation falling by a third in the final quarter. Aggregate has now missed its in year compliance target for the fourth consecutive year despite its shrinking obligation, keeping prices broadly aligned with Remelt. For the first half of the quarter Aggregate tracked the strengthening Remelt price, rising 16% to a 2 year high of £105. Unlike Remelt though, it failed to hold onto gains as the year wound down in January, closing the year at a respectable £85 per tonne.

Aluminium

The sell off in Aluminium reached its logical conclusion in Q4 as supply data confirmed comfortable compliance by mid November. Spot prices collapsed as buying evaporated, falling 88% from £40 per tonne to £4.80 at the close – a 24 month low. 2025 marked the third consecutive boom and bust cycle for Aluminium PRNs, where recovery to triple digit prices has repeatedly given way to sharp market collapse. An opening 2026 price of £10 reflects anticipated growth in carry in volumes but offers little encouragement to sellers.