



# RECOVERED PAPER MARKET REPORT



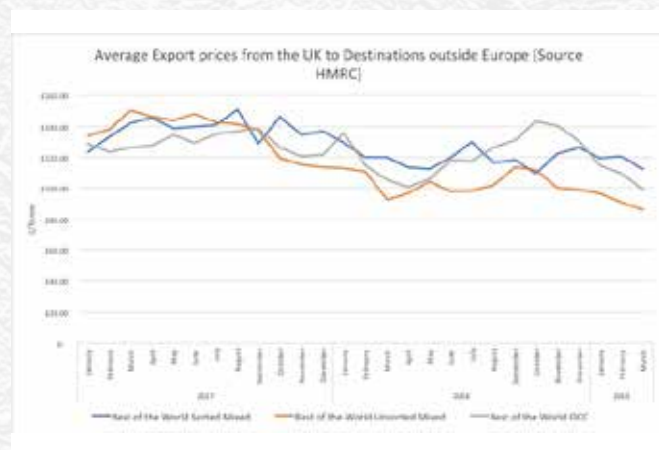
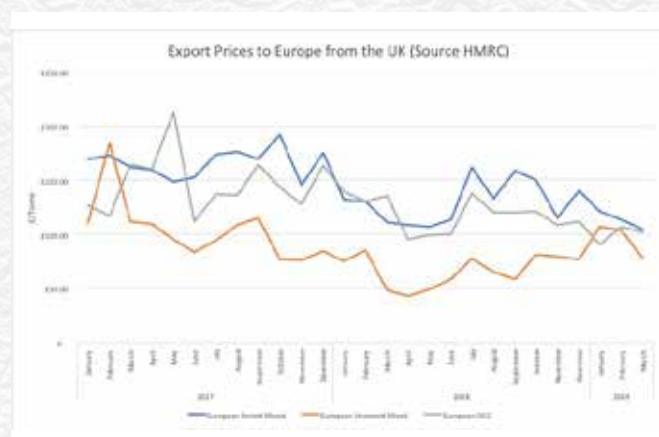
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**N**ot only has Brexit not been achieved but also the United Kingdom has, slightly to its surprise, taken part in the European elections. With approximately half of the population still wishing to leave the European Union, the election became polarised about that single issue with the Conservative party being punished for failing to deliver Brexit and the Labour party punished for failing to have a policy about Europe that the electorate could understand. Broadly those that wished to leave the European Union voted for the newly formed Brexit Party and those that did not for the Liberal Party with a sprinkling of support for the Scottish Nationalist and Green Parties. General Parliamentary frustration about the lack of progress or options has led to the Prime Minister resigning after she has hosted Donald Trump as part of his state visit to the United Kingdom. The vast range of candidates lining up to replace her within the Government shows how fractured it is and possibly forewarns a general election in the not too distant future.

As if there was not enough to keep everyone entertained the UK Environment Department launched four consultations broadly aimed at reducing litter, reacting to the widespread public aversion to plastic and raising additional funds as a carrot for local authorities to improve the quality of their collections, amongst other public spending ambitions.

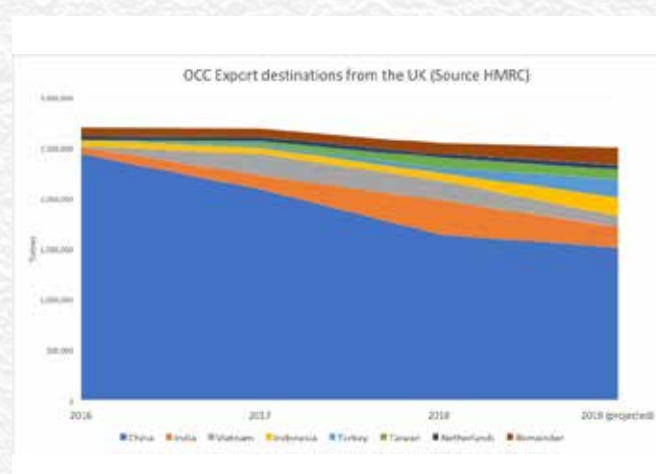
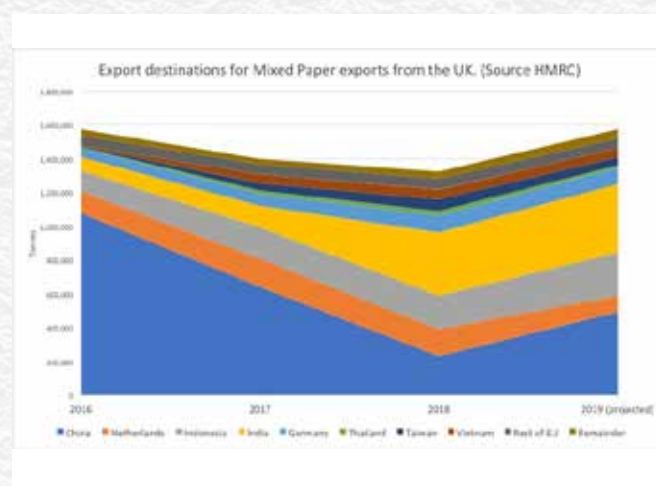
It is all packaged together as Extended Producer Responsibility. Wholesale change to the Producer Responsibility regime is proposed under the belief that the current system will be unable to deliver the increased targets required under the European Circular Economy Package. Packaging

producers have been picked upon slightly bizarrely since it has been the most effective system so far in the UK. Proposals include a packaging tax based on a minimum of 30% recycled content, eco-modulation for hard to recycle packaging, overlooking that it is already in place, and a deposit scheme on beverage containers. Despite cries guidance from industry of the complexity of starting something that is not UK wide, the Scottish Government have announced that it will start a scheme in 2021, some two years earlier than anything that is being proposed for England and Wales. Full 'Net' Costs is the cudgel being used to beat Producers with plenty of costs and almost as many proposals for a solution. Sadly all lack of implementation, which leaves many wondering if there is a less costly way to achieve the ambitions!



After three relatively strong quarters of demand for recovered paper everything seems to have gone wrong at once bringing back memories of the beginning of 2018. Firstly China's buying seems not only to have reduced, initially generous import quotas have dried up in Quarter 2, but also continued to shift away from OCC towards Mixed Paper as have other Paper Mills, which as a consequence has been commanding higher prices than OCC, and. In the United States, who face a tariff to import into China, paper is being landfilled. So paper traders

are looking to Europe and elsewhere for a market, under cutting European traders with better quality, higher primary content in their secondary raw material. Some has even found markets in the UK despite the significant surpluses here for which markets need to be found so that the UK can meet its recycling targets. Although there has been stable demand within the UK and a significant shift in end markets for both OCC and Mixed Paper, China remains a key destination. Meanwhile India, Indonesia, Taiwan and Thailand have all significantly increased their market share since National Sword first impacted in 2016. Finally after last year's perfect, some say too hot, summer this year we have returned to steady rainfall showing perfect timing for the Cricket World Cup!



Here is hoping that summer will provide all the solutions, but at the moment the Crystal Ball is looking distinctly cloudy and slightly pessimistic with further price falls predicted for June as prices for all grades continue to converge. There are new mills due on line but others are closing down. There is a shift from production in China to elsewhere, but at the moment insufficient to absorb all the secondary material available. The only certainty is uncertainty! 🌧️

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