



RECOVERED PAPER MARKET REPORT



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It is a year since I wrote an article on recovered paper and despite everything, and a lot has gone on in the intervening period, it is astonishing how little has changed. In November 2019 there was an election based around getting Brexit done. Twelve months later, with the final severance due at the end of the month, still no deal has been completed. While not the end of the world it has left many in a position of great uncertainty. In particular, the logistics sector is facing immense challenges, which have been exacerbated by global shipping scarcity and skyrocketing prices for both air and sea containers. Added to which ports are congested and ships are by-passing them to avoid delays with rates from China far exceeding anything available for the return trip.

From a paper perspective this is immensely frustrating with prices and global demand continuing to increase post the Covid induced slump in Quarter 2 stimulated by European and Chinese Mills striving to stock up prior to respectively the Brexit cut-off and the import ban coming into effect on 31 December 2020. It is a welcome relief to the beginning of the year where mixed paper was struggling to find a viable market at any price. India stepped in to absorb 50% of mixed paper exports in the first quarter as well as 35% of the OCC exports.

In contrast, following the onset of Covid, India faded from the market as challenges were faced getting material through ports and Vietnam and Europe, particularly Germany, provided the alternative markets for mixed paper. For

OCC, Turkey stepped into the breach until the latter were hit with import restrictions and like China asked to seek their raw material domestically. In the third quarter Asia has once again come to the fore as the confusion over import regulations into Indonesia was overcome with Indonesia, Malaysia, Vietnam and even China returning to the fray looking for OCC to which Taiwan, Thailand and the Netherlands can be added for mixed paper imports.

Covid has also caused the balance of material collected to adjust in favour of mixed papers with an increase of OCC arriving in the household packaging stream. Looking forward it looks like the UK may benefit from the weakening pound with exports continuing to rise if the port congestion can be relieved and the bureaucracy to enter Europe, whose Euro has strengthened, is not too onerous. Despite or maybe because of the controversial election in the United States, the exchange rate between the pound sterling and the United States dollar is almost the same as it was a year ago.

Covid induced lockdowns look as though they are here to stay until April, if not longer. Almost terminal to the high street and the hospitality industry, but online retail and packaging look like great beneficiaries as does household recycling. A mixed blessing as households are notoriously unreliable at source segregation.

In the UK legislation has stood still as Parliament has focused on dealing with the pandemic and Brexit concurrently, but as the year ends the Environment Bill is reaching its final reading. It introduces an Office for Environmental Protection (OEP) a new, independent statutory body with the principal objective of contributing to environmental protection and the improvement of the natural environment. It will provide the necessary legal authority to implement long-term environmental governance, provide scrutiny and advice on the implementation of environmental law, and monitor and report on progress against Environmental Improvement Plans and targets.

The OEP will be able to receive and investigate complaints on alleged serious breaches of environmental law by public authorities. It will also be able to take legal action in serious cases, if necessary, as a last resort. Dame Glenys Stacey has been selected as the Government's preferred candidate to become the OEP's Chair.

The Environment Bill is also the UK's catalyst to a transition towards Extended Producer Responsibility. Many look forward with interest and expectation to the consultations due in the spring of 2021 on it, consistent local authority collections throughout the United Kingdom and the potential introduction of deposit schemes on beverage containers throughout the UK.

Whatever may transpire, two things are certain that there is someone, somewhere that needs recovered paper and the price will not stay still. All be it maybe not as volatile as in 2020, where it has exceeded all other major commodities!♻️

