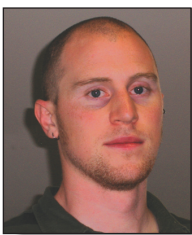


Market Status 2007

By Paul Smail



As the dust finally settled on the UK's first WEEE compliance period (2007), it is believed that after the second extension period all Producer Compliance Schemes (PCSs) met their member's obligations. As anticipated, trading was left to the final few weeks while PCSs waited for their final obligations to be confirmed as uncertainties existed well beyond 1 May 2008 due to difficulties in reconciling the dual reporting system via schemes and local authorities. To compound difficulties PCSs found themselves unable to register transfers on the settlement centre even when they anticipated they might be in surplus and the deadline for compliance was delayed to 16 June and for some schemes onto 7

July 2008. Once schemes knew whether they were in surplus or deficit, trading in WEEE Evidence Notes (WENs) took place right up to the final deadline. It is understood that some schemes were still trying to trade at midnight on both deadlines! The range of prices traded across the 13 WEN categories is shown in the table below:

Category	1	2	3,4,6,7,9 & 10	11	12	13	5 & 8
Price Range £	6 - 40	110 - 160	140 - 160	220 - 250	220 - 230	1500	n/a

With the exception of category 9, mixed WEEE appeared fairly easy to come by and most traders were able to move small volumes fairly swiftly. Category 1 and 2 traded at the lowest prices while the hard to find category 13 traded in the lowest volumes at the highest prices. There was also a range of reported bids and offers that were significantly lower and higher than what the market was willing to trade at. A feature of the market was the unwillingness of sellers to revise their price expectations. The inclusion of orphan DCFs onto the Settlement Centre bulletin boards highlighted this and created much discussion about what costs should be included in WEN prices. Other areas of concern as the deadlines approached were how easy it was going to be to trade sub tonne volumes, or ones that had not met the requisite recovery and recycling rates as some were trading in whole numbers and others to 3 decimal places although in the end it is believed that this became a non-issue.

Currently, few participants are willing to commit tonnage to the 2008 markets until clarification is given over the penalties (if any) that are to be handed down to those schemes who failed to meet their 2007 obligations by the 16 June deadline. Most of the schemes who complied for 2007 have stated that they would like to begin trading sooner rather than later in the 2008 compliance year, to avoid a similar bottleneck to this year's trading. We have already seen trading in the 2008 market.

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WEEE Quarterly report

Managing Directors comments



The last quarter has been packed with incident. Now the 2007 compliance period is drawing to a close after extra, extra time a concerted effort can be put into achieving compliance in 2008. Many participants have indicated that they wish to start trading earlier than last year.

One of the great strengths of the UK Regulations is that they give flexibility to producer compliance schemes (PCSs) to comply in the manner that they think is best. As a result a range of PCSs have been established, some focus on growing collection using the existing infrastructure, some on low cost compliance, some on individual producer responsibility, some on managing costs by creating a duplicate collection infrastructure and some on the

acquisition of WENs through trade. No single approach should be stigmatised, if one approach is more desirable to DCFs so be it, another may be more desirable to producers or a third to AATFs. None are inherently wrong and all can work in harmony so long as each PCS is willing to accept that these differences in methods of operation will occur and perfection in the reconciliation of obligations to evidence will never occur for any individual scheme. As a result trading will inevitably happen. It is not only a necessary 'evil' but also a necessity of compliance, which should be the ultimate goal of every PCS.

The Government has been successful at stimulating competition in the UK WEEE compliance market. It should be extremely cautious before taking any action that may result in:

- the development of enfranchised monopolies or monopsonies. If a closer balance is desired between a PCS's producers and its DCFs, there should be give and take on both sides with a requirement to relinquish producers as much as any dropping of DCFs.
- barriers to entry to new PCSs, DCFs, AATFs or AEs being established.
- a more tortuous settlement process for 2008 and subsequently.

The quantity of WEEE collected and in particular the amount of Small WEEE took many PCSs by surprise. This can partially be attributed to the vagaries of the numbers, which is why auditing consistency is so important (have they been added up correctly? Does it include B2B WEEE as well?); partially to the vagaries of the public and partially to the way the legislation is written with no collection target, even though a target exists in the original Directive.

There has been considerable discussion on the question of price. Ultimately price is the price that the market will bear. It is a symptom not a cause of market failure; however it is important that prices are visible so that an early indication of any failure can be identified and potentially resolved. Price obscurity leads to confusion rather than confidence in a market and imperfections in its operation, those that are obligated have no idea whether they are being over or under charged, the regulators have no benchmark of what the market perceives as a reasonable price on which to base prosecutions and PCSs, DCFs, AATFs and AEs are unaware of opportunities available. A visible price is a requirement of a perfect market, which should be the aspiration of any regulated market, and a necessity for a sustainable one.

The first compliance year has been difficult. It is hoped that lessons have been learnt which will make compliance in 2008 less challenging. Thank you to those that have chosen to join t2e in the first compliance period. It has been a learning period for us too. We greatly look forward to welcoming new participants both to trade and use our independent audit service in 2008. Please come and visit us at stand 1632 at RWM '08 at the NEC Birmingham between 16 and 18 September 2008.

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