



The Marketplace for PRNs

Market Status Report By Tom Rickerby, Head of Trading



Much needed improvements in the Q3 Supply data were tempered by the ongoing controversy surrounding significant missing obligation data. A total of 427,305 tonnes traded on t2e during Q3, up 10% on the previous quarter and up 11% on the same period last year. 224,751 tonnes were traded in the 2022 Spot Market. 46,462 tonnes were traded in the 28 Day Rolling Market, 131,392 tonnes were traded in the 2022 Forward markets and 24,700 tonnes were traded in the 2023 Forward markets.

Paper

Q3 saw the Paper PRN market test new pricing territory as PRN generation continues to be impeded by weak global demand for recovered fibre and lower UK arisings. Spot prices surged 133% to a record £35.00 per tonne in August, putting clear day light between the recent record high (£28.00 per tonne) set in 2018 and partially offsetting a collapse in the value of OCC. With uncharted ground comes caution and as buying support waned into September, prices fell back to £20.00 per tonne. However, as recovered paper prices continued to capitulate into October, the PRN bounced, returning to August's all time high (ATH) by the quarter close.

Plastic

It took just 18 days of the new quarter for Plastic to hit the £300.00 per tonne milestone, rising 130% from an opening price of £130.00. A 6-week period of relative calm followed with the market consolidating around £305.00. However, the release of weak October monthly supply data was enough to break the peace. Turbulent conditions returned to the market for the remainder of the quarter as prices surged to a 40-month high of £380.00 – prices last seen during the 2019 Plastic crisis. Traded volume was up 18% on the previous quarter and 31% on the same period last year.

Wood

Wood tracked Paper's price volatility in Q3 as fears of a shortage in General Recycling fuelled an upward trend in both materials. The Q3 average Wood price was up 130% on the previous quarter but 11% below the Q3 Paper average, hence remaining the most attractive option for General recycling in the period. There were few signs of the reported slowdown in the panel board sector, as wood recycling delivered its customary strongest quarter of the year. The April Forward 2023 market opened in excellent volume at £16.00 per tonne.

Steel

After a strong supply quarter in Q2, Steel supply slipped below target again in Q3. PRN generation fell 30% as demand for packaging grade scrap from domestic steel mills declined again. PRN Spot prices rose steadily in the period, climbing 179% to a 13 year high of £95.00 per tonne. Strong prices saw improved trading on t2e, with volumes increasing 144% on the previous quarter.

Glass Remelt

Remelt prices continued to rise in Q3 following disappointing 1st half (H1) supply data, hitting a new ATH price of £210.00 in late September, surpassing last year's ATH by £10.00 per tonne. Record Glass PRN values also saw a record generation in the period, up 9% on the previous best quarter (Q4 2021), boosted by strong export figures. Strong supply data saw a softening of prices in the latter stages of the quarter, closing the period at £150.00, down 29% on the year high. Opening 2023 prices of

£130.00 per tonne reflect an expectation that high prices will continue into next year.

Glass Aggregate

Aggregate PRN prices registered a successive record quarter as values continued to converge on the rampant remelt price. Spot prices climbed 75% to an ATH price of £175.00 per tonne. The quarter average was up over 200% on the previous quarter and more than 18 times higher than the same period last year.

Aluminium

Aluminium's controversial bull market final ended with the release of the September monthly data. Prices have risen consistently since the beginning of the year contradicting healthy supply data. Spot prices peaked at a 34-month high of £225.00 per tonne in October, ending a 10-month winning streak. A 3 week sell off saw prices end the quarter down 64% at £80.00 per tonne.

Q3 Aug - Oct 22	High	Low	Traded this quarter	Quarterly Average Price	YTD Average Price	Total Volume
Paper						
Spot 2022	£35.00	£15.00	82,018	£26.20	£14.00	226,814
28 Day Rolling 2022	£35.00	£20.00	23,765	£27.43	£21.25	36,408
OCT Forward 2022	£35.50	£27.50	23,920	£32.81	£16.05	115,420
DEC Forward 2022	£37.50	£20.00	66,620	£27.49	£19.11	139,620
Transitional JAN Forward 2023	£36.00	£36.00	7,000	£36.00	£36.00	7,000
Plastic						
Spot 2022	£380.00	£182.25	57,220	£296.72	£204.80	188,203
28 Day Rolling 2022	£375.00	£182.50	16,488	£298.58	£232.80	32,212
OCT Forward 2022	£305.00	£250.00	5,020	£299.64	£193.84	14,855
DEC Forward 2022	£350.00	£270.00	6,487	£302.26	£255.71	11,737
Transitional JAN Forward 2023	£300.00	£270.00	550	£286.36	£266.13	1,550
Glass Other						
Spot 2022	£175.00	£100.00	15,180	£142.96	£63.03	48,142
28 Day Rolling 2022	£135.00	£135.00	500	£135.00	£135.00	500
OCT Forward 2022	£135.00	£135.00	200	£135.00	£27.97	9,110
DEC Forward 2022	£135.00	£135.00	200	£135.00	£30.35	6,600
JUL Forward 2023	£105.00	£105.00	3,000	£105.00	£105.00	3,000
Glass Remelt						
Spot 2022	£210.00	£145.00	15,027	£175.71	£109.71	49,594
28 Day Rolling 2022	£192.50	£150.00	2,500	£184.00	£184.00	2,500
OCT Forward 2022	£164.50	£164.50	500	£164.50	£122.87	9,500
APR Forward 2023	£130.00	£130.00	3,000	£130.00	£130.00	3,000
JUL Forward 2023	£130.00	£130.00	6,000	£130.00	£130.00	6,000
Steel						
Spot 2022	£95.00	£34.00	19,653	£58.14	£38.58	41,438
28 Day Rolling 2022	£78.00	£70.00	2,100	£72.86	£44.20	5,600
OCT Forward 2022	£78.00	£40.00	3,750	£63.77	£34.14	13,250
DEC Forward 2022	£78.00	£40.00	6,250	£71.64	£42.84	13,750
Transitional JAN Forward 2023	£78.00	£75.00	1,300	£77.31	£77.31	1,300
Wood						
Spot 2022	£37.50	£13.00	35,621	£23.22	£11.72	109,104
OCT Forward 2022	£25.00	£25.00	4,000	£25.00	£9.54	19,500
DEC Forward 2022	£20.00	£20.00	4,000	£20.00	£11.17	15,000
APR Forward 2023	£16.00	£16.00	12,700	£16.00	£16.00	12,700
Aluminium						
Spot 2022	£225.00	£80.00	6,691	£143.35	£102.50	10,782
28 Day Rolling 2022	£225.00	£112.50	1,109	£159.60	£128.34	1,429
OCT Forward 2022	£200.00	£200.00	100	£200.00	£42.86	700
DEC Forward 2022	£225.00	£80.00	1,495	£125.82	£94.56	2,095



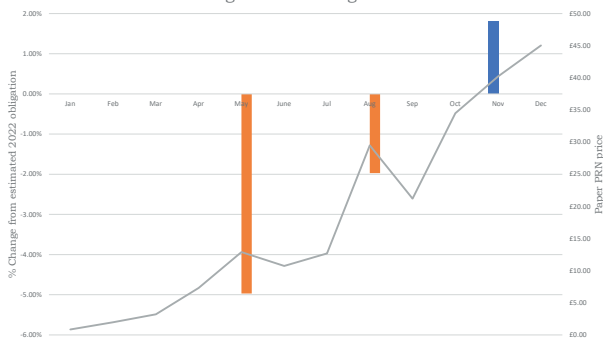
Managing Director's Comments November 2022



Another tough quarter. Trading has increased but so have prices. The figures have not lied, the market is very tight. The Government has been busy. The 2023 PRN targets are confirmed, no change. Hopefully those for 2024, 2025 and 2026 will follow shortly. DEFRA has published its response to the PRN consultation as well as its guidelines for data gathering in 2023 in preparation for

the introduction of Extended Producer Responsibility (EPR) and the Scottish Government has revised and re-revised its proposals for its Deposit Return Scheme (DRS) scheme.

Comparison between 2022 t2e price for Paper PRNs (General Recycling) £/tonne and Percentage change in 2022 obligation from original estimate



Rising prices

Q3 data confirmed that 2022 is tighter than any previous year. Carry forward into 2023 will be well down on previous years and earlier expectations. While in Q3 Aluminium, Glass, buoyed by expansion in Glass Aggregate, and Paper have increased both Year on Year (YoY) and Quarter on Quarter (QoQ), Plastic production, although up YoY, has fallen, particularly exports, QoQ and Steel has fallen YoY and QoQ. The Plastic Target is looking very demanding as is the General Recycling one. The market has anticipated these challenges with prices rising across the board throughout Q3. Against this background it is disappointing that DEFRA decided not to progress some of the proposals in the PRN consultation.

PRN consultation

The Government intend to progress:

- providing a more accurate picture of the PRN supply by reporting PRN tonnage and price monthly. While this has merit, the demand side needs to be managed too.
- changing the categories for PRN revenue reporting. Laudable but, until audited, allocation will remain subjective. Unlikely to deliver increased transparency.
- introducing operator competence tests for compliance schemes, exporters and reprocessors. Ideally this should include a probationary period during which issuers are closely monitored by the Agencies.

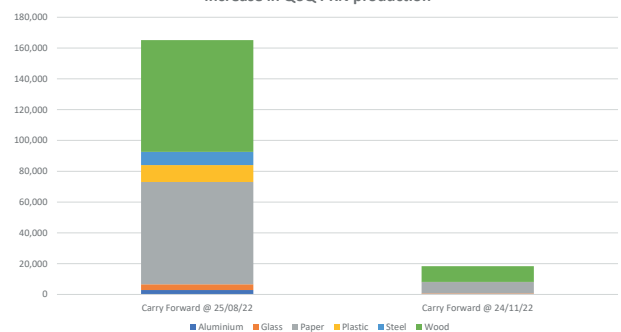
They do not intend to progress:

- any change to the trading period of PRNs. This is disappointing and may mean non-compliance in certain materials in 2022. Carry forward December PRNs can be abused in tight years

either accidentally or deliberately. Carry back January PRNs would provide an extra release valve in tight years reducing end of year volatility.

- the introduction of a compliance fee. Civil sanctions to a certain extent already perform this role. Rather than using the average price at which PRNs are traded the penalty should be set at a level below which 95% of all PRNs are traded. Also prior to being paid to charities, fines should be used to acquire surplus PRNs.
- proposals to manage/measure DRS material that remain in kerbside collections. In the interim Scottish DRS material will not be obligated to pay local authority costs under EPR.

Change in potential Carry Forward (tonnes) as a result of increase in obligation between 25 August 2022 and 25 November 2022 despite increase in QoQ PRN production



While some of these reforms are required urgently the Government has chosen to introduce them as part of their wider packaging EPR Regulations.

Scottish DRS

The Scottish DRS scheme is navigating stormy waters. Producer fees have been reduced by 8%, 30% and 40% for glass, PET plastic and metal beverage containers respectively. Takeback obligations have been restricted to the largest grocery stores from 2025 onwards. A delay in start date continues to be requested by industry but resisted. The preferred solution is a communications campaign and increased proactivity by SEPA.

EPR Scheme

Similar challenges apply as DEFRA introduce EPR, data is required in 2023 to ensure that the first payments can be made to local authorities by 1 April 2024. Confusion arises as EPR is a parallel system to Producer Responsibility Obligations (the PRN system) with different data needing to be gathered for each. Companies quite possibly have an obligation under one system but not the other, although many will have it under both. DEFRA has produced a guide which can be read on page 4.

Thank you all for your support through these difficult trading times. I hope that you have had an enjoyable festive period and 2023 is not as challenging as 2022 has proved to be. We look forward to continuing to be of service to you.

Angus Macpherson
Managing Director



Q3 Supply Analysis By Andrew Letham, Operations Manager



Despite overall recycling growing 69,490t Quarter on Quarter (QoQ), several markets remain under supplied against a significantly increased obligation due to late producer submissions. Increased Glass (+15.7%) and Paper (+4%) returns give some hope for their respective markets however a decline in Steel (-29.6%) and Plastic (-2%) recycling QoQ mean that both will likely be heavily dependent on carry-in to cover their shortfall in year with the latter at serious risk of non-compliance.

A further 334 producers have registered since the initial Q2 data release adding 504,265t of obligation across all materials. That's 6 producers less than at close of play last year (7,132) with the obligation up 367,512t Year on year (YoY) at 8,229,033t.

Plastic supply remains incredibly tight as the 286,122t reported as recycled in Q3 did little to ease tension in the market. Given the current Quarterly average of 281,786t we are almost certain to miss target in year for the 2nd year running with non-compliance a real possibility. The current remaining balance of the 361,867t means that even if all of 64,671t of carry-in is applied we are still reliant on Q4 being the largest return of 2022. Despite the difficulties supply has remained largely unchanged YoY with the increased reprocessing capacity (+16,028t) mostly offsetting a fall in exports (-17,105t). Frozen targets and a slowing economy may mean a slightly reduced obligation in 2023, however a negligible carry-out will ensure competition for transitional tonnage from 2023 buyers.

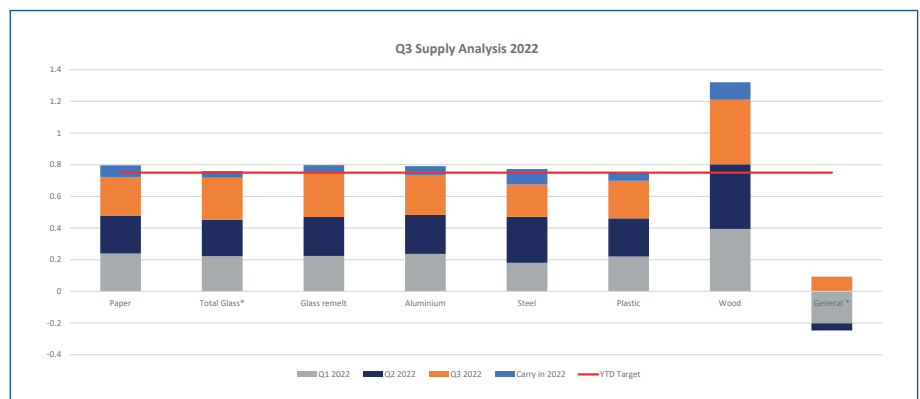
Glass saw a huge turn around in Q3 as 45% (109,725t) of Year to date (YTD) remelt exports moved in the quarter, contributing to a YoY increase in exports of 39% (67,434t). Overall recycling jumped 15.8% QoQ (+23.6% Aggregate & +13.5% Remelt) with the Q3 Remelt figure of 387,226t the largest ever reported and when added to the 123,190t of Aggregate recycled it is the largest ever Quarter for Glass at 510,416t. Compliance now looks more probable however this will not be met with in year recycling as a remaining balance of 542,248t (345,693t Remelt & 196,555t Aggregate) means much of the 81,174t carry-in will have to be utilised.

Although **Paper** recycling grew in Q3 up 4% (36,367t) QoQ at 910,548t, YTD Paper recycling is down 5.7% YoY. With the current obligation already 9.8% (325,648t) higher than last year Paper looks as though it will miss its material specific target in year for the first time. Not only has this seen paper prices soar to record levels it has also put strain on the General Recycling market to which it is usually the largest contributor. If Q3 supply

Material	Carry In	Q1	Q2	Q3	2022 Obligation	YTD Supply + Carry In	Balance
Paper	269,643	884,861	874,181	910,548	3,692,670	2,939,233	-753,437
Total Glass*	81,174	427,591	440,786	510,416	1,920,514	1,459,967	-460,547
Glass remelt	64,555	309,243	341,135	387,226	1,382,770	1,102,159	-280,611
Aluminium	8,212	35,382	36,937	37,815	149,688	118,346	-31,342
Steel	37,025	68,261	110,193	77,469	378,849	292,948	-85,901
Plastic	64,671	265,544	291,693	286,122	1,207,226	908,030	-299,196
Wood	41,977	151,009	156,563	156,563	383,227	506,112	122,885
General *	0	1,832,648	1,910,353	1,978,933	496,899		
Total	502,702	1,832,648	1,910,353	1,978,933	7,732,174	6,224,636	-1,788,149

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

**Please note the general supply figure has been generated from calculating the surplus material PRNs in each quarter and does not include carry in tonnage.



levels are maintained in Q4 then both Paper and General targets will be met however this is dependent on all carry-in from 2021 being held in the current year.

Steel also looks set to miss target in year. A 29% (32,724t) drop in recycling QoQ has likely left the market reliant on the 37,035t carry-in from 2021 to ensure enough supply for all to be compliant. The level of carry-in required is however far more difficult to predict with supply wildly fluctuating in year. A yearly average return of 85,307t wouldn't be sufficient to meet demand and the market will therefore be hoping for a return to Q2 supply levels (110,193t) allowing Steel to contribute to the rather desperate General recycling situation.

Aluminium recycling was up 2% QoQ with the 37,815t recycled the largest return of the year. However with the obligation up 8% (11,314t) YoY at 149,688t, it is going to take further growth in Q4 to meet target in year with a current remaining balance of 39,554t. A healthy carry-in of 8,212t should ensure there is enough supply to meet target but a recent drop in price may attract more competition from 2023 buyers.

Wood continues to be the only material in a positive supply position with the 156,563t reported as recycled in Q3 confirming target has been met and c.230,000t will be contributed to the to the General Recycling pot. Despite this availability remains poor with a large amount contracted forward earlier in the year.



EXTENDED PRODUCER RESPONSIBILITY – Is your business obligated?

To assist producers in understanding whether they are obligated under Extended Producer Responsibility (EPR), DEFRA has developed an online **EPR Obligation Checker**. This interactive tool will help you assess whether you meet the thresholds set out below. To understand the obligations under EPR, you must differentiate between two distinct sets of obligations:



**Department
for Environment
Food & Rural Affairs**

- Firstly the waste cost and recycling obligations, an obligation to report placed on the market data, meet recycling obligations, and pay disposal costs for Local Authority collected waste.
- Secondly the nation of sale obligation, an obligation to report where packaging is disposed, broken down by nation within the UK.

Waste cost and recycling obligations

Waste Cost and Recycling Obligations		Turnover		
		< £1m	£1m - £2m	> £2m
Packaging Tonnage	< 25 tonnes	No Obligation	No Obligation	No Obligation
	25 - 50 tonnes	No Obligation	Reporting Only	Reporting Only
	> 50 tonnes	No Obligation	Reporting Only	Full Obligation

These obligations are closely related to the existing producer responsibility for packaging scheme. Producers who are captured under these obligations must register with their regulator, collect and report information on the packaging that they supply to the UK market.

Those who have a 'full obligation' will have to meet further obligations based on this data, as set out in "Packaging waste: prepare for extended producer responsibility" guidance on www.gov.uk.

Nation of sale obligation

Nation of Sale Obligation		Turnover	
		< £1m	> £1m
Packaging Tonnage	< 25 tonnes	No Obligation	No Obligation
	> 25 tonnes	No Obligation	Obligated

This is a data reporting only obligation, where packaging must be broken down by the nation in the UK where it was disposed. Not all producer types will be obligated for both sets of obligations. Understanding whether your business is obligated or not, requires assessing your business against a range of criteria across two obligations, which can be done via the EPR Obligation Checker on www.gov.uk.

We have published guidance on **How to collect your packaging data for EPR** and guidance on **Packaging waste: prepare for extended producer responsibility** on www.gov.uk. These supplement the **EPR Obligation Checker** tool and should be used together to further understand EPR requirements.

