

The Marketplace for PRNs

Market Status Report – August 2014 to October 2014 *By Ian Andrews, Senior Market Operator*



What a difference a year makes! When reviewing the report for the corresponding period last year the market was equally split between those materials that were in surplus and those that were in deficit. Back then, most prices were softening with the exception of Glass which continued to trade at high values right to the end of the compliance period.

Tales of high glass prices have been consigned to history this year with the early intervention of the regulators to amend the Glass recovery target resulting in lower demand and more stable market. Even in the face of reported short supply returns in aggregate glass, buyers have voiced little concern. This has been mostly down to the fact that Remelt volumes have continued to close the deficit position. Some would argue that the higher PRN values in the preceding years, which facilitated the development of new clearing and sorting facilities, are now starting to bear fruit and who would argue with them. Either way, buyers can feel comforted by the fact that glass prices have remained stable and with 2015 forward markets trading currently at £20, it would appear stable prices will remain well into next year.

Prices have reverted back into the traditional trend of softening as we get into the final throes of the compliance year. All other materials have seen significant drops in value with the exception of Paper and Recovery which have continued to trade at below £1.00 since January.

Trading for the quarter equated to 191,595 tonnes with 98,134 tonnes trading in the Spot market and 93,461 tonnes trading in the Forward markets.

Paper

Paper prices remained stable during the period with the only price variation from 85p being recorded against volume trades. Supply has continued to outstrip demand.

Plastic

Excellent trading this quarter with prices remaining relatively stable until the final month. From August through to the end of September prices softened from £30 down to £27. In anticipation of the Q3 supply release at the start of October, prices started to fall. Once the figures were confirmed, prices dipped further as pressure eased on Buyers. Good activity was recorded in the forward markets with prices mirroring that of the Spot. The softening 2014 price resulted in many sellers reverting to opportunities in the Jan Fwd market at the start of October where better value was available for their December volumes.

Glass

Trading prices for the quarter were stable against a backdrop of weak demand. Good supply was offered with buyers provided with a number of markets to secure tonnage. As seen in the other materials, the Q3 supply figure set in motion further softening of prices although Spot trading activity in October consisted mainly of Remelt trades with the alignment of prices resulting in buyers opting for the Remelt note. Once again the softening 2014 price resulted in sellers opting to pick up transitional trades in January at better value and adjusting operations to favour December activity.

Steel

With little concern about shortages this year after a strong Q2 performance, the best that can be said is that the price remained stable. Once again supply outstripped demand however sellers decided that they would hold rather than release at the lower

prices being proposed by buyers. Reports of more stringent accreditation guidelines for 2015 have resulted in some sellers questioning their desire to be involved in 2015. It would appear that buyers may have finalised the majority of their buying this year and many wanted to discuss opportunities for 2015. However, with no agreement with the sellers on forward values negotiations continued right up to the end of the quarter.

Wood

Wood has continued to be overlooked by general buyers which has resulted in weak trading this quarter. Sellers in this market had taken an early decision to hold prices up even in the face of strong surplus and have been prepared to write tonnage back. Whether the strategy has delivered best value remains to be seen.

Aluminium

Aluminium prices drifted down during the quarter before reversing and strengthening through October. As is often the case with this market, due to the low demand, buyers very rarely look at securing tonnage until the year end. The better pricing through October was a result of buyers securing tonnage in advance of the Q3 supply figures.

Recovery

Even in the face of tightening supply, concerns about availability have been limited with buyers comforted by the fact that paper supply remains so buoyant. Sellers have benefited from stronger prices this year with them only weakening towards the back end of the quarter for volume trades.

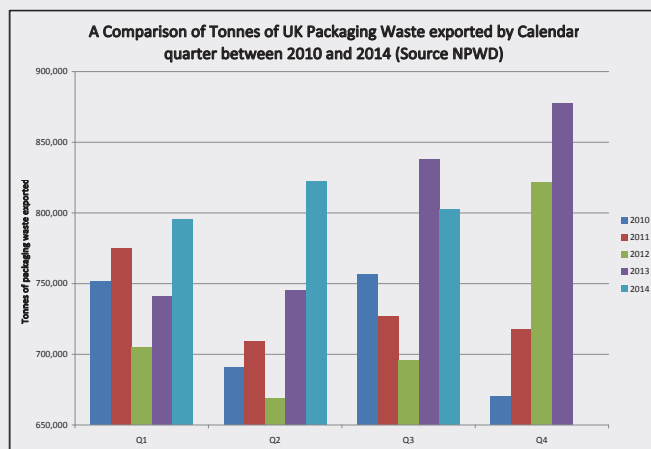
	High this quarter	Low this quarter	Traded this quarter	Quarter average traded price	YTD average traded price	YTD aggregated traded
Paper						
Spot 14	£0.85	£0.70	25,553	£0.78	£0.75	143,038
Dec Fwd 2014	£0.70	£0.70	10,000	£0.70	£0.70	10,000
Plastic						
Spot 14	£30.00	£10.00	40,474	£23.86	£32.84	100,490
Oct Fwd 2014	£28.00	£27.00	3,000	£27.17	£36.36	16,090
Dec Fwd 2014	£25.00	£10.00	7,993	£20.27	£22.30	8,993
Jan Fwd (Trans)	£25.00	£22.50	3,600	£22.92	£29.42	5,100
Glass Other						
Spot 14	£21.50	£19.00	6,262	£19.92	£23.41	27,254
Oct Fwd 2014	£20.00	£20.00	4,614	£20.00	£26.74	20,314
Dec Fwd 2014	£20.00	£20.00	3,000	£20.00	£23.64	14,800
Jan Fwd (Trans)	£20.00	£18.00	7,263	£19.65	£19.65	7,263
Apr Fwd 2015	£20.00	£20.00	3,000	£20.00	£20.00	3,000
Glass Remelt						
Spot 14	£28.00	£18.00	5,439	£26.11	£38.25	37,197
Oct Fwd 2014	£25.00	£25.00	5,000	£25.00	£36.03	12,100
Dec Fwd 2014	£25.00	£15.00	9,200	£20.82	£28.01	16,100
Jan Fwd (Trans)	£27.00	£25.00	11,988	£26.84	£26.84	11,988
Apr Fwd 2015	£27.50	£27.00	11,000	£27.23	£27.23	11,000
Steel						
Spot 14	£10.50	£8.00	10,004	£8.93	£12.06	26,446
Oct Fwd 2014	£8.50	£8.50	1,000	£8.50	£12.00	3,000
Dec Fwd 2014	£9.50	£8.00	9,532	£8.79	£8.79	9,532
Wood						
Spot 14	£1.50	£1.40	3,348	£1.41	£1.52	6,005
Oct Fwd 2014	£1.40	£1.40	2,803	£1.40	£1.42	3,014
Aluminium						
Spot 14	£12.00	£9.00	3,126	£9.44	£8.72	6,347
Dec Fwd 2014	£10.00	£10.00	468	£10.00	£9.48	718
Recovery						
Spot 14	£0.75	£0.60	3,928	£0.72	£0.56	20,345

MANAGING DIRECTORS REPORT – November 2014

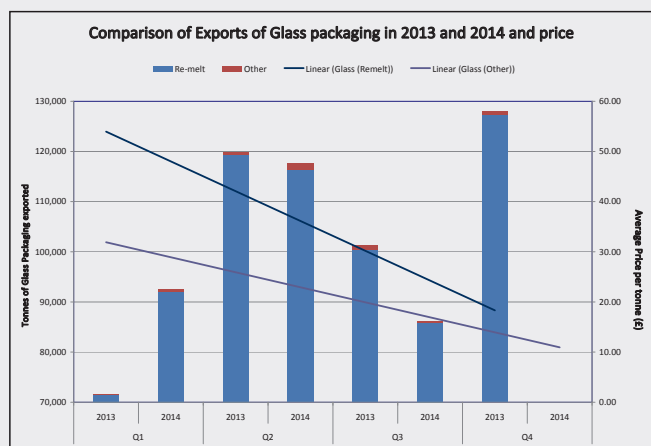


I must apologise this Quarterly is running a little late for which I am solely to blame. A number of factors have combined to create a serious case of writer's block which fortunately I now seem to have overcome. Concurrently it has been a quiet quarter with relatively light trading as buyers anticipate significant surpluses

for most material specific targets and wait for prices to fall, while sellers looking to their future plans resisted downward price pressure. The buyers view has been validated by Q3 figures but whether these surpluses will continue into 2015 is uncertain. While at a European level the much anticipated circular economy package seems to be hitting stony ground.



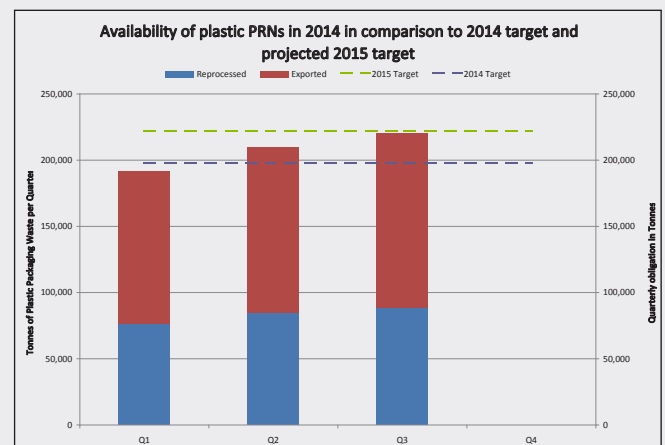
UK recycling would appear to be stalling slightly but at the end of Q3 is still ahead on an annual basis over the previous two years. The decline is in Paper which has had its worst quarter since Q1 2010, when it was hit by the snow, but the eagerly awaited reopening of Smurfit's plant in Snodland beckons shortly. In contrast Aluminium and Plastic have had their best quarters ever; Glass is up both quarter on quarter and year on year, while Wood and Steel are both steady. A blot on the horizon as the quarter closed was Eco-plastics, one of the UK's largest plastic reprocessing facilities, entering administration.



Exports are down both year on year and quarter on quarter but it is a tale of contrasts with paper and plastics continuing to grow contrary to expectation as the Chinese economy

is reported to be slowing down. Going forward whether this can be sustained remains to be seen. In contrast Glass exports for remelt have dropped by almost 20% year on year and 30% quarter on quarter as the Remelt PRN price slides to the same level as Aggregate PRNs. While this is unlikely to impact this year, if this slide continues we could see the Remelt price bounce back as the next year progresses.

Looking forward the Advisory Committee on Packaging (ACP) has just completed, although not published, its review of plastic packaging placed on the UK market. It is widely anticipated to have discovered that there is less placed on it than initially anticipated by DEFRA. When this occurred for Glass, the material specific targets were revised downwards. At this stage it is not thought that the same will occur for Plastic so the 5% increase is to be anticipated and should be met if current levels of both exporting and reprocessing are maintained but with a free-falling PRN price, uncertainty on exports and Eco-Plastics going into administration that could be a big IF!



Looking further forward packaging recovery and recycling targets out to 2030 had been included in the European 'circular economy' package which has now been withdrawn for a detailed review and representation in 2015. The UK Government in particular has come out against the package expressing concern about the 'undue regulatory burden' perhaps slightly surprisingly under the circumstances as both the packaging and the waste industry have come out in support of the packaging element of the package! Under all circumstances it would be good if the progress towards harmonising definitions and statistics can be maintained.

Thank you to Rick Hindley for his contribution. It will be interesting to see as the year progresses whether the supply of Aluminium PRNs increases or decreases. Thank you all too for your support this year, we look forward to being of service to you in 2015. By the time you read this I fear that the New Year will have arrived so I hope you have all enjoyed a good festive period.

Angus Macpherson
Managing Director

Q3 PRN Report – Reprocessing and Exporting Figures *by Kirsty Anderson, Account Manager*



The anticipated release of the Q3 reprocessing and exporting figures on Wednesday 22nd October revealed some positive news for Plastic buyers and a further deficit in Glass (Other). All materials exceeded their quarterly obligation with the exception of Glass (Other), with shortfalls from Q1 in Aluminium made up.

Overall Recovery production for Q3 is 1,848,258 tonnes which is -1.37% in comparison to Q2 production.

Table 1 shows the Q1 and Q2 supply figures along with the Q3 figures. The table demonstrates a comparison between Q2 and Q3 and displays the remaining volume required to ensure compliance this year. Please note that Paper and Wood have already met the Obligation for this Compliance year.

Material	Q1 (tonnes)	Q2 (tonnes)	Q3 (tonnes)	Q3 Change on Q2	YTD Total 2014 (tonnes)	Remaining (tonnes)
Paper	854,722	853,857	842,021	-1.41%	2,550,600	9,985
Glass (Other)	106,722	150,442	119,093	-26.32%	376,257	160,495
Glass (Remelt)	252,491	289,109	297,415	2.79%	839,015	157,810
Aluminium	16,081	17,543	20,180	13.07%	53,804	14,916
Steel	78,912	103,655	99,034	-4.67%	281,601	69,004
Plastic	191,817	208,504	220,270	5.34%	620,591	160,256
Wood	104,570	104,324	107,941	3.35%	316,835	84,704
Overall Total Recycling	1,605,315	1,727,434	1,705,954	-1.26%	5,038,703	1,448,300
Overall Recovery	1,714,885	1,873,647	1,848,317	-1.37%	5,436,849	

Table 1.

2014 Q1, Q2 and Q3 Supply Figures to show Q3 against Q2, Year Total (tonnes) and Remaining Volume left in 2014 Compliance Year.

Paper

Paper exceeded the quarterly obligation figure by 206,867 tonnes (33%). This huge oversupply has resulted in prices for paper trading below £1.00 throughout the Compliance Year. The excess volume in this material has been the biggest contributor towards the General Recycling pot. With the 2014 Obligation for Paper having already been met, it will now compete with Wood (also oversupplied) to fill the General Recycling requirement.

Glass (Other)

Following the release of the Q3 supply figures, Glass (Other) showed an undersupply of 15,095 tonnes (11%). Despite exceeding the supply figure in Q2 (by 16,744 tonnes), due to the shortfall from Q1, overall Glass (Other) is undersupplied for the Compliance Year by 26,307 tonnes (7%). Trading prices have reached Glass (Remelt) prices so the majority of Glass (Other) buyers have fulfilled their Glass obligation through the Remelt note. This material will need over 160,000 tonnes in supply in Q4 if the 2014 Obligation is to be achieved.

Glass (Remelt)

Glass (Remelt) exceeded the quarterly obligation in Q3 by 48,209 tonnes (19%). This material has performed well throughout the Compliance Year and the surplus volume has contributed towards the current shortfall in Glass (Other), which resulted in a

downward pressure in Remelt prices.

When we combine the two Glass notes and look at Q1, Q2 and Q3 against the Glass obligation, we see that Glass overall (Remelt and Other) is 6% oversupplied (65,090 tonnes).

Aluminium

Aluminium benefitted from another strong supply this quarter and following the release of the Q3 figures, we saw Aluminium exceeded the quarterly obligation by 3,000 tonnes. The oversupply from Q2 and Q3 exceeded the shortfall from Q1 and this material is now 2,264 tonnes (4%) oversupplied for the Compliance Year. With new protocols to be introduced from January 2015 (Please see Page 4 for more information), concerns have been raised over initial teething problems surrounding the new protocols, what impact this may have on supply at the start of the 2015 Compliance Year and consequently, the effect on Aluminium prices is unknown.

Steel

The 10% undersupply of Steel from Q1 was made up following the release of the strong Q2 supply figure. Despite not performing as well in Q3 as in Q2, with Exports down by 4,478 tonnes, Steel still exceeded the quarterly obligation in Q3 by 11,383 tonnes. Being 18,648 tonnes (7%) oversupplied this Compliance Year, Steel prices have slowly softened by around £1.00 or £2.00 this quarter with sellers appearing to be holding out for higher values.

Plastic

Plastic exceed the quarterly figure by 25,073 tonnes (13%) in Q3 2014 and for this Compliance Year, is 35,000 (6%) oversupplied. With many Plastic sellers coming into the marketplace to try and sell their tonnage in the lead up to the Q3 figures being released, the price softened initially from £20.75 to £15.00. Once it was confirmed that Plastic was oversupplied in Q3, the price dropped to a low of £10.00. What must be assessed is the effect that a low Plastic value may have on Plastic Exports which will then damage PRN supply at the start of the year. Moreover, it must be remembered that the material specific recycling target for Plastic is increasing by 5% next year, hence there is an anticipated additional demand of around 92,000 tonnes.

Wood

Following the release of the Q3 supply figures, Wood showed an oversupply of 49,908 tonnes (86%). Having had three oversupplied quarters this Compliance Year, Wood has already met its 2014 Obligation and is sitting on an excess of 84,704 tonnes. Due to this oversupply, Wood will compete with Paper to contribute towards the General Recycling requirement.

Overall Recycling and Overall Recovery

The Overall Recycling for Q3 was 1,705,954 which exceeded the quarterly obligation by 84,218 tonnes (5%). This was down 21,480 tonnes (1.3%) compared to Q2 with Paper, Steel and Glass (Other) being the main materials contributing to this fall. Overall Recovery in Q3 was 1,848,317 tonnes which exceeded the quarterly obligation by 94,645 tonnes (5%). This was down in comparison to Q2 by 25,330 tonnes (1.4%). It should be noted that there is a correlation between the falling values of PRNs throughout the Compliance Year and a fall in exports quarter on quarter.

New IBA Protocol: Accuracy of Recycling Data is Key Priority for Aluminium Packaging Sector

by Rick Hindley, Executive Director, Alupro (the Aluminium Packaging Recycling Organisation)



From January 2015, the introduction of aluminium packaging recovered from Incinerator Bottom Ash (IBA) onto the PRN system by the Environment Agency (EA) is extremely good news for the aluminium packaging recycling sector, as is the removal of other protocols, including the 'Old Rolled Protocol' which IBA effectively replaces.

The integrity of recycling data is extremely important for all materials as recycling rates are increasingly regarded as a key sustainability metric. Recycling rates must provide a true and accurate measure of just how much material is being recovered and recycled. However, in the last decade used packaging collection schemes have evolved, most notably to include kerbside recycling. When the PRN system was established the majority of used aluminium packaging was collected through local 'cash-for-cans' and foil schemes operated by scrap metal dealers and the community sector. Often the aluminium drinks cans were sold on for recycling mixed with other grades of aluminium scrap, so a series of aluminium scrap protocols were established which allowed PRNs to be issued on this material.

Recognising this shift in collection systems and also the changes in the way that residual waste is disposed of, including the increase in energy from waste facilities (EFW), Alupro, working with the Environment Agency, undertook an extensive study to ensure that, as far as possible, all of the aluminium packaging collected for recycling is properly recorded and accounted for.

In cooperation with the companies that handle incinerator bottom ash (IBA) Alupro undertook a detailed study to ascertain the volumes of used aluminium packaging (drinks cans, foil, aerosols etc.) present in IBA and therefore recoverable for recycling. The study revealed that a minimum of 50% of the non-ferrous content was aluminium packaging, so it is only right that there is a protocol in place to recognise the incinerator-derived aluminium packaging that is being recovered; aluminium packaging that was previously not being accounted for and therefore unrecorded by the PRN the system.

It was equally important that the existing aluminium packaging protocols were examined to ensure they were brought up-to-date with regards to the used aluminium packaging volumes and that material volumes were not being overstated.

Alupro also undertook a review of the other aluminium scrap protocols, and in particular the Old Rolled Protocol to ensure that they still accurately reflect the volumes of aluminium packaging they contain. In fact the sampling revealed that the volumes of aluminium packaging they contained had reduced significantly, due to the changing nature of collection systems, so their removal from the PRN scheme will come into effect from January 2015.

Overall the impact of the introduction of the IBA Protocol and the removal of the other protocols should be neutral for the sector, with aluminium packaging volumes lost to some protocols yet replaced by volumes covered by the inclusion of IBA. However, whilst this impact may not make any great differences to aluminium volumes recorded, the sampling study undertaken by Alupro does highlight the need to examine all material protocols regularly. Although the IBA protocol will be reviewed in three years' time, there are protocols out there covering all types of material that should also be scrutinised to ensure they accurately account for the volumes of materials being recovered through the all the various waste streams. More importantly, depending on the results, they should be adjusted, removed or new protocols introduced to reflect how collection schemes continuously evolve over the years.

All materials, not just aluminium packaging, are facing more ambitious recycling targets in the future and if we are to meet these targets then they need to be treated equally; meaning we must know exactly what material is being recovered, and where from. The work Alupro has undertaken into aluminium packaging recovered via the different recovery routes and the subsequent deletion and adoption of protocols means that recycling data for aluminium packaging will be the most accurate for any material.

The PRN system is there to accurately record and report the levels of recycling and volumes of material being recovered. It must also reflect the efforts of organisations such as Alupro, and thereby its members, who are investing in the recovery and recycling of this valuable resource.

