



## The Marketplace for PRNs

### Market Status Report By Tom Rickerby, Head of Trading



These are challenging times for the PRN market. A growing imbalance in the 2024 supply and demand fundamentals signals a looming collapse in PRN values in the final quarter. Whilst sellers cling to the remaining value in the 2024 market, the complexity, cost, confusion and uncertainty surrounding the transition to EPR has destroyed confidence and early engagement in the 2025 PRN markets, leaving next year's Forward Markets

in a state of paralysis. Policy uncertainty is just one of several factors that has contributed to weakening market sentiment across the recycling sector in Quarter 3.

A total of 296,183 tonnes traded on t2e during Q3, down 8% on the previous quarter and 19% on the same period last year, reflecting a downturn on PRN generation and weak trading conditions. 208,498 tonnes were traded in the 2024 Spot Market, 34,311 tonnes were traded in the 28 Day Rolling Market and 53,374 tonnes were traded in the 2024 Forward Markets.

#### Paper

Paper's terminal price slide reached its inevitable conclusion in Q3 as Spot prices collapsed below £1.00 per tonne following a third consecutive record supply quarter. Prices fell 71% to close the quarter at £0.80. Traded Paper volumes on t2e remain in line with the previous 2 quarters but well down on the 2023 market as trading conditions become predictable, low value and low risk. An outlook that may extend into the 2025 market given concerns around the removal of the General Recycling obligation next year. Despite this weak outlook, Transitional prices opened between £3.00 and £4.00 per tonne.

#### Plastic

Plastic saw its lowest quarterly average price for 3 years, falling 61% on the previous quarter to £51.65 per tonne. Whilst the overriding data trend remains bearish, Plastic markets saw choppy price action in the quarter. Spot prices fell 38% to a year low of £40.00 per tonne in the first 2 weeks, however, this price would emerge as a key support level during the period. A brief rally to £50.00 in late August was short lived. However, a more significant bounce off the £40.00 support level gathered better momentum in the run up to the 10th October monthly data release. Fueled by reports of a summer slowdown in Plastic recycling and weakening market sentiment, PRN prices doubled to £80.00. Although, reaction to the data release saw prices retrace back to £40.00, where they would remain for the final 3 weeks of the quarter.

#### Wood

Wood has been tethered to the Paper price for most of the year and duly followed its slide below a pound per tonne in the third quarter as comfortable compliance becomes an increasingly inevitable outcome this year. A 70% drop in the quarter on quarter average price saw Wood fall to its second lowest Q3 average in over a decade. Traded volume saw its strongest quarter of the year but remains down on the previous year.

#### Steel

The Steel PRN market failed to shake off a bearish turn at the end of Q2 as prices came under further pressure in Quarter 3. Prices softened over 50% but found renewed support around £19.00 per tonne following concerns of a perceived supply weakness in the September monthly data release. Returning buyers stabilised the price in the run up to the Q3 data. A 3rd Quarter supply slowdown was widely anticipated following Tata's exit from the PRN market in July. However, despite a confirmed

| Q3 Aug - Oct 2024             | High    | Low    | Traded this quarter | Quarterly Average Price | YTD Average Price | Total Volume |
|-------------------------------|---------|--------|---------------------|-------------------------|-------------------|--------------|
| <b>Paper</b>                  |         |        |                     |                         |                   |              |
| Spot 2024                     | £2.75   | £0.80  | 76,493              | £1.01                   | £4.47             | 260,572      |
| 28 Day Rolling 2024           | £2.75   | £1.00  | 6,830               | £2.05                   | £4.53             | 31,926       |
| OCT Forward 2024              | £2.50   | £1.00  | 8,337               | £1.74                   | £2.41             | 12,763       |
| Transitional JAN Forward 2025 | £4.00   | £3.00  | 22,050              | £3.73                   | £3.73             | 22,050       |
| <b>Plastic</b>                |         |        |                     |                         |                   |              |
| Spot 2024                     | £80.00  | £40.00 | 49,805              | £51.65                  | £130.32           | 179,774      |
| 28 Day Rolling 2024           | £80.00  | £40.00 | 14,980              | £51.75                  | £129.33           | 50,988       |
| OCT Forward 2024              | £55.00  | £40.00 | 5,602               | £45.93                  | £132.87           | 26,797       |
| DEC Forward 2024              | £65.00  | £40.00 | 5,110               | £48.19                  | £116.78           | 13,055       |
| Transitional JAN Forward 2025 | £70.00  | £40.00 | 5,750               | £57.37                  | £57.37            | 5,750        |
| <b>Glass Other</b>            |         |        |                     |                         |                   |              |
| Spot 2024                     | £18.00  | £6.50  | 12,848              | £9.91                   | £52.50            | 44,896       |
| 28 Day Rolling 2024           | £18.00  | £18.00 | 1,136               | £18.00                  | £67.64            | 2,886        |
| <b>Glass Remelt</b>           |         |        |                     |                         |                   |              |
| Spot 2024                     | £102.00 | £60.00 | 25,313              | £73.87                  | £102.78           | 65,617       |
| 28 Day Rolling 2024           | £100.00 | £60.00 | 8,012               | £88.34                  | £109.98           | 19,033       |
| <b>Steel</b>                  |         |        |                     |                         |                   |              |
| Spot 2024                     | £40.00  | £15.00 | 15,843              | £20.45                  | £27.78            | 42,924       |
| 28 Day Rolling 2024           | £30.00  | £15.00 | 1,078               | £24.76                  | £32.15            | 8,863        |
| DEC Forward 2024              | £15.00  | £15.00 | 500                 | £15.00                  | £32.05            | 7,800        |
| Transitional JAN Forward 2025 | £17.50  | £17.50 | 1,500               | £17.50                  | £17.50            | 1,500        |
| <b>Wood</b>                   |         |        |                     |                         |                   |              |
| Spot 2024                     | £3.50   | £0.95  | 24,706              | £1.30                   | £5.24             | 83,954       |
| 28 Day Rolling 2024           | £1.50   | £0.95  | 1,540               | £1.16                   | £3.40             | 6,631        |
| OCT Forward 2024              | £1.50   | £1.00  | 3,810               | £1.43                   | £5.38             | 7,060        |
| DEC Forward 2024              | £1.00   | £1.00  | 500                 | £1.00                   | £8.50             | 3,000        |
| <b>Aluminium</b>              |         |        |                     |                         |                   |              |
| Spot 2024                     | £68.00  | £35.00 | 3,490               | £42.42                  | £80.41            | 14,879       |
| 28 Day Rolling 2024           | £50.00  | £40.00 | 735                 | £48.74                  | £69.30            | 1,548        |
| OCT Forward 2024              | £49.00  | £49.00 | 215                 | £49.00                  | £95.06            | 1,715        |

11% Q on Q decline, the contraction in supply was not enough to bolster prices and markets sold off again following the release. The Spot and Forward Markets closed at £15.00 per tonne, down 62% on the quarter high.

#### Aluminium

Aluminium experienced a more stable trading period in Q3 following the seesaw price action of the previous two. Prices initially dropped continuing the sell off from Q2, however, by mid-quarter the market had consolidated around £40.00 per tonne and barring some minor fluctuations, the price remained flat for the remainder of the quarter. The quarterly average price fell 64% on the previous quarter and 61% on the same period last year. The weaker price is backed-up by strong supply, Q3 saw the second highest ever Aluminium PRN generation.

#### Glass Remelt

There are signs that suggest Glass Remelt values may have turned a corner after 3 years of high prices and dominant sellers' markets. Remelt saw its lowest quarterly average since the opening quarter of 2022 as a market correction that began in June continued into August. Spot prices fell 41% to a 29-month low price **[Continued on page 4]**



## Managing Director's Comments December 2024

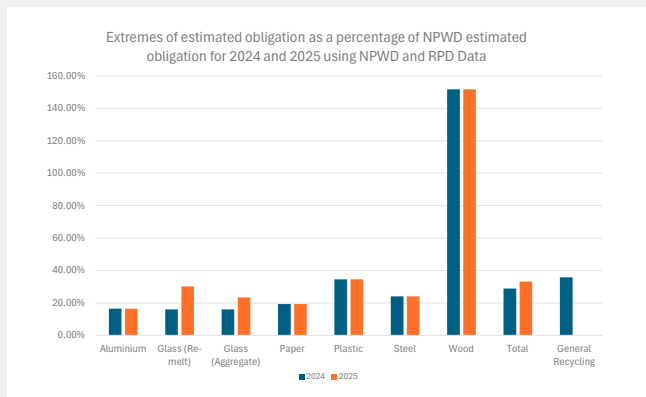


I write this after watching the Delegated Legislation Committee debate about the introduction of Extended Producer Responsibility Regulations for Packaging. For something that has been seven years, if not more, in the germination, the debate was somewhat anodyne. To an outsider it sounds as though everything is agreed. Those facing

the music, or at least paying the bill, are finding that things are far from satisfactory and there is already talk of amendments! Concurrently the DRS is struggling in implementation, data is unpredictable both for 2024 and 2025 obligations and the plummet in reported packaging supplied remains an unresolved mystery. Meanwhile the supporting IT infrastructure is developing slowly but steadily, and PRN trading has declined.

### The Importance of Data

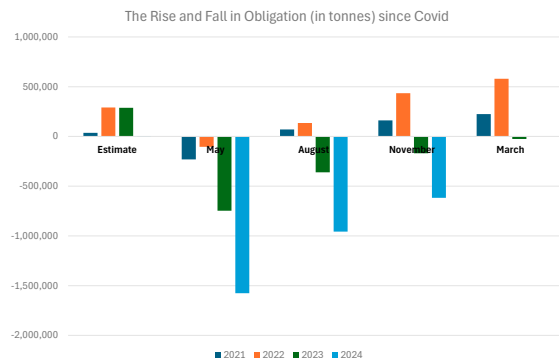
It is amazing how in the excitement of developing something new, both the benefits of and the reasons behind what is already in place are forgotten. At times it appears that the new is being brought forward to crush rather than enhance/extend the old. In the excitement of the transition the importance of good quality data is forgotten. Whatever else PRNs may have achieved, a far better data set has been developed on packaging and its recycling than existed before. Unfortunately, we are now moving back to 1998 on the demand side. As a result, the supply side is floundering and unable to plan against an already troubled backdrop for the secondary raw material industry.



Early figures released by DEFRA from the Report Packing Data (RPD) add to the confusion. If they are used, the obligation could be some 2.5 million tonnes greater than as currently reported through the National Packaging Database (NPWD), although it is fairly clear that the wood packaging reported is significantly over-reported.

When looking at this year, the NPWD obligation remains stubbornly low, while the economy struggled in 2023, it is difficult to give credence to the further drop of obligation by some 600,000 tonnes.

These extremes not only impact on the PRN prices for 2024 and 2025 but also the estimated fees to be paid to Local Authorities under Extended Producer Responsibility.



### General Recycling Obligation

Previously the challenges of uncertainty of demand/poor quality data have been absorbed within the general recycling obligation ensuring that all targets could be reached through allowing a less demanding material specific recycling obligation and a more demanding overall recycling target. Its removal puts additional pressure on both target setting and achievement, increasing the risk that either PRNs are valueless, or targets are not achieved and prices become infinite. Allowing carry-back as well as carry forward at the calendar year end would be an additional problem solver.

### Deposit Return Scheme (DRS)

The troubled Deposit Return Scheme has hit further stormy waters. The Welsh Government has questioned the fundamental purpose of DRS. Is it to encourage reuse? recycling? reduction of litter? or children to scabble around in the rubbish to seek extra pocket money? And therefore, should it include glass or not? Without a resolution to this issue, they have stepped back from their involvement in the current proposals. At what stage this becomes untenable under the UK Internal Market Act and therefore becomes unstuck as Scotland found in 2013 remains to be seen. But DEFRA might wish to consider going back to basics on the DRS to identify the environmental purpose before introducing a scheme that is expensive both to implement and society.

Thank you for Matthew Demmon for his contribution. Here is hoping that the first stage of moving the obligation from the NPWD to the RPD runs smoothly. We wish all readers a very enjoyable festive season. We look forward to continuing to be of service to you in 2025. It looks like an expensive year for all those involved in PRNs. Despite the wishes of many, nothing is certain but good quality and timely data plays a vital part in the solution.

Angus Macpherson  
Managing Director

## Q2, 2024 Supply Analysis By Andrew Letham, Operations Manager



UK recycling experienced a notable downturn in Q3 2024, with total recycling volumes declining by 46,925 tonnes (t) year-on-year (YoY). Quarter-on-quarter (QoQ) performance also

weakened, with Q3 recycling volumes falling by 58,897t (2.8%) compared to Q2. All materials, apart from Glass Remelt and Aluminium, recorded their lowest recycling returns of the year.

Producer registrations saw a modest increase of 227 since the end of Q2, though the total number remains 426 lower than at the end of 2023. The current recycling obligation stands at 7,641,117t, an increase of 345,411t from Q2. This is still 297,884t below 2023's final total of 7,939,063t, despite higher targets for Wood and General Recycling. The drop in Producer registrations compared to last year will require close monitoring not only for its impact this year but as the industry transitions to EPR.

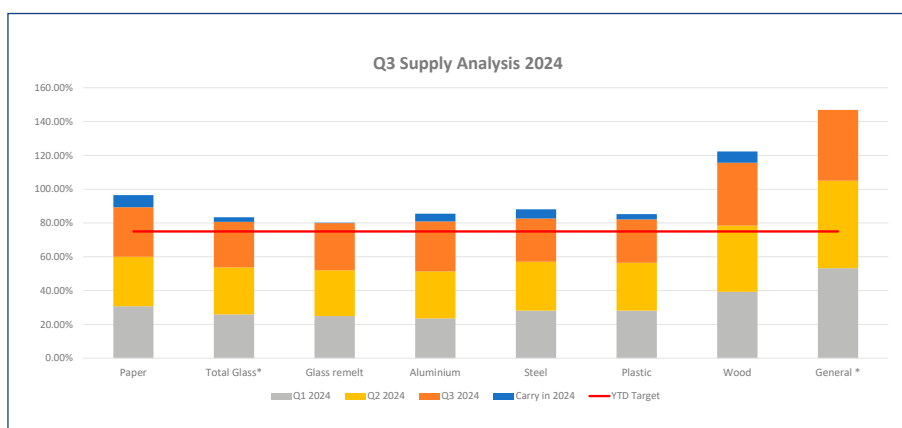
**Plastic** recycling volumes saw a significant decline in Q3, falling by 29,184t (9.5%) QoQ and 40,062t (12.7%) YoY. This represents Plastic's weakest quarterly performance since Q1 2022, a period marked by peak PRN prices of £600.00 per tonne. The reduced subsidy from PRN revenues has strained recyclers, with rising costs reportedly driving some operators out of the market. Despite this, Plastic remains on track to meet its 2024 compliance target, with a further 191,819t required to be recycled by year-end. However, competitive pressure on Transitional tonnage could intensify as we move into late 2024 and early 2025.

Q3 was a mixed quarter for **Glass**. While Aggregate recycling plummeted 19.2% (24,316t) QoQ, Remelt increased modestly by 2.7% (9,263t). The current Glass obligation is 134,642t (7.4%) lower than 2023's final figure. A further 70,850t of Aggregate and 253,478t of Remelt are needed to meet 2024 targets. Given the robust Remelt performance, even a poor Q4 return would likely see compliance achieved. The only uncertainty is whether buyers will need to purchase higher priced Remelt PRNs to meet Aggregate obligations. Despite falling PRN prices, **Paper** recycling remained robust, with 992,358t recycled in Q3. With the current obligation still 202,285t below 2023 and a carry-in of 244,510t, Paper-specific compliance appears secure. However, rising General Recycling and Wood obligations may lead to other materials being relied upon to fulfil General Recycling targets.

**Steel** posted its weakest quarterly performance of the year, with 89,208t recycled in Q3, a decline of 11,106t (11%) QoQ and

| Material            | Carry In | Q1        | Q2        | Q3        | 2024 Obligation | YTD Supply + Carry In | Balance  |
|---------------------|----------|-----------|-----------|-----------|-----------------|-----------------------|----------|
| <b>Paper</b>        | 244,510  | 1,042,412 | 989,414   | 992,358   | 3,386,558       | 3,268,694             | -117,864 |
| <b>Total Glass*</b> | 45,163   | 435,034   | 468,065   | 453,012   | 1,679,948       | 1,401,274             | -278,674 |
| <b>Glass remelt</b> | 2,755    | 313,808   | 341,890   | 351,153   | 1,259,961       | 1,009,606             | -250,355 |
| <b>Aluminium</b>    | 6,733    | 34,820    | 40,960    | 43,466    | 147,303         | 125,979               | -21,324  |
| <b>Steel</b>        | 18,857   | 97,988    | 100,314   | 89,208    | 347,694         | 306,367               | -41,327  |
| <b>Plastic</b>      | 33,940   | 304,364   | 307,057   | 277,873   | 1,082,579       | 923,234               | -159,345 |
| <b>Wood</b>         | 27,647   | 163,143   | 163,172   | 154,549   | 415,872         | 508,511               | 92,639   |
| <b>General *</b>    | 0        | 312,773   | 303,994   | 245,478   | 586,961         |                       |          |
| <b>Total</b>        | 376,850  | 2,077,761 | 2,068,982 | 2,010,466 | 7,646,915       | 6,534,059             | -525,895 |

\*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.



3.6% below the 2023 average. Despite this, compliance remains achievable, as the current obligation of 346,843t is 29,507t below last year's figure. A repeat of Q3's performance in Q4 would ensure compliance, supported by an 18,857t carry-in.

**Aluminium** bucked the broader downward trend, achieving its second-highest recycling return on record. While slightly lower YoY, 43,466t were recycled in Q3. With only 30,000t required in Q4 to meet compliance and a 6,733t carry-in, Aluminium is well-positioned to meet its 2024 targets. The current obligation is 1,789t lower than in 2023, standing at 147,268t.

**Wood** recycling declined by 8,623t (5.2%) QoQ and 14,986t (8.8%) YoY. However, the material-specific target for 2024 has already been met. As a result, all PRN generation in Q4 (and some from Q3) will be directed towards General Obligations. Looking ahead to 2025, this raises concerns about how surplus volumes will be managed when General Obligations are removed under Extended Producer Responsibility (EPR).

While Q3 presented a challenging environment, strong performances earlier in the year have left most materials on track to meet their annual compliance targets. However, declining PRN prices and escalating operational costs pose risks, particularly in Plastic and Steel. The sector's ability to adapt to these pressures will be critical as the UK moves towards EPR implementation in 2025.



# What's going wrong in Glass Recycling? By Matthew Demmon

Glass recycling should be simple:

- Empties in their own bin.
- Local Authorities collect kerbside
- Regular educational campaigns for consumers
- Mandatory separation in Hospitality
- High Recycling Targets



The Result: high quality separate collection, low contamination, high processing yields and maximum levels of circular recycling.

The successful implementation of most of this in Wales has even proven that it is possible, so why is such a simple vision so controversial, or difficult? The answer inevitably comes down to money, ideology and politics.

It's disgraceful that some LA's that still don't have a kerbside glass collection service. And since around 2010 co-mingling has exploded so that over half of all glass is delivered to sorting facilities broken and contaminated. Targets were dropped 6% in 2015 and (inevitably) took 6 years to return to the same level. We could be 6 years ahead of where we are now.

Extended Producer Responsibility (EPR) is about to take over the reins from Producer Responsibility, and a well-designed scheme should be a success. EPR will pay for Simpler Recycling (a misnomer if ever there was one) but ideology and politics will lead to serious harm of the glass sector lead to Harder Recycling, and lower recycling yields at higher cost unless there are significant changes to the current proposals for implementation.

The Base Fees to be used to calculate how much a Brand will pay have been so badly calculated, and are therefore so skewed (7p per glass bottle, almost free for plastic) that they will provide massive cross-subsidy from glass to plastic. They provide perverse incentives to choose plastic over other more circular packaging media. Material switching is already damaging glass manufacture despite it being an inert, Permanent material with a credible Net Zero plan. It appears that Defra and the new Government would rather cause destruction to our industrial base than accept that the figures are wrong?

In the meantime, Modulation won't start for another year and isn't defined or costed so action cannot be planned. Simpler Recycling is a mess, without any plans for how it will achieve the Recycling Targets that it is aligned with.

Some parties believe that glass should be in a Deposit Return Scheme (DRS). This is a nonsense. Other countries with successful DRS do not already have successful kerbside collection. The major benefit to government is that DRS is initially privately funded, and then paid for from unredeemed deposits. DRS is very expensive, but it is paid for by a small percentage of non-compliant consumers. EPR is much cheaper and the cost is (should be) distributed in a balanced way across every container.

**[Continued from page 1]** of £60.00 per tonne where it stabilised for the remaining 2 months of the quarter. Weaker obligation data and improving supply has allowed buyers to retake control of the narrative in Glass. However, many sellers will also be happy to see lower PRN prices having seen material prices severely distorted by high PRN values in recent years.

### Glass Other

Glass Aggregate's strong H1 supply performance has entrenched its

Before EPR's commitment to cover Full Net Costs of Recycling, LA's budgets were squeezed and the cost of collection was more important than the outcome. EPR will turn that on its head. Outcome is more important. Kerbside collection costs are far lower per tonne than DRS.

This would make sense, except that Local Authorities don't know what constitutes Effective and Efficient Collection, which will affect their payments. And when that money is received it isn't ringfenced to carry out and improve collections. Where are the improvement plans to hit the 2030 targets, now only 5 years away? And Producers are expecting to pay for EPR, yet have no say in the processes or outcomes. What a shambles.

The evolving Recyclability Assessment Method (RAM) does not recognise that it is the collection method that dramatically affects the recycling outcome, that glass is totally recyclable when the consumer puts it in their bin and it is the collection system that determines how much is wasted, not suitable to return to a circular use.

EPR Recycling Targets look strong and ambitious. Glass will move upwards by 2% pa from 2025 to 2030. That's potentially an extra 200-240KT pa to be collected, and the Remelt Target will rise consistently throughout that period too, so that circular recycling should rise by roughly the same number.

How will this be achieved? Hospitality has not been mandated to keep glass separate from other materials. Separate Collection still allows materials to be mixed. "Simpler Recycling" is all about Collection.

Without policies in place to support the targets, they will be missed. Which material will be the first to miss its Obligation and cause a crisis in the system? Will a PRN in one material reach £1000/t? Producers will be justified in their analysis that the lack of joined up thinking prevents the system from achieving its ambitions.

EPR could be a triumph, but as it is written it will be a disaster for glass, and a disaster for glass is a disaster for the UK and for the environment. It should be paused, now, before it is too late.

## Information on accepting 2025 PRNs



PRN price in a downward spiral and this bearish trend continued well into the third quarter. Spot prices fell a further 64% to a 35 month low price of £6.50 per tonne, recovering slightly to close the quarter at £7.00. However, the Q3 data suggests Aggregate Glass has missed its quarterly target for the first time this year with generation falling nearly 20% or ~25,000 tonnes on the previous quarter. The collapse in its PRN price and subsequent decoupling from the Remelt price is likely to be a contributing factor to this downturn. If this underperformance extends into Quarter 4, there may be some further volatility to come.