

CPI Statement: Export Order Exodus Hits Paper Recovery Sector



The Confederation of Paper Industries (CPI) reported in February 2008 that the UK had cracked the 8.6 million tonne mark for paper and board recycling in 2007 and was moving quickly towards well over 9.0 million tonnes for 2008. This was well in line with all government and local authority targets and painted a particularly rosy picture for all those concerned with the achievement of these goals. Although current statistics indicate the UK is still heading for a record year in 2008 the performance has now been stopped in its tracks by the apparent retreat of Far East buyers from the UK and European markets along with likely upcoming UK and European recessions.

The UK relies on global export markets to take well over 50% of the recovered paper it collects with Far East markets taking over 75% of the export total; this has left the UK in an incredibly difficult and strained situation. Exports account for, on average, over 400,000 tonnes of recovered paper from the UK per month and without these markets UK merchants are left with little option other than to store the material they have paid significant amounts for or sell at loss making prices. The situation in the UK has also exacerbated price falls in Europe as there is a glut of UK recovered paper on the European market as well as excess European domestic stocks from the lack of Far East buying. Rapid price collapse was always a significant risk for the UK given its huge reliance on Far East markets and its diminishing domestic papermaking infrastructure to shield it from global economic turbulence.

With no obvious signs of Far East buyers returning to the market soon there is a serious possibility that storage of recyclables may end up being a very high risk strategy with huge costs to those requiring storage, including the tax payers through Local Authorities. It is also rather ironic that Defra and the Environment Agency are looking at the possibility of relaxing storage regulations for recyclables when it is their intention to increase regulatory controls for the storage of recovered paper within the new Environmental Permitting Regulations exemption system from 2010.

Even if Far East buyers return to the market quickly it is very doubtful that prices for the material will be anywhere near where they were through the middle of 2008 and excess stored material is likely to suppress prices for a much longer period.

The global market has been used as a mechanism to date to drive continuous increases in recycle collection from the UK waste stream and this has led in part to many stakeholders taking it for granted that it would always be there. This strategy has been allowed to carry on with little interference from government and indeed the new WRAP business plan showed that they felt there was little to be gained by continuing to develop domestic markets for the more common materials such as recovered paper.

Peter Seggie, CPI Recovered Paper Sector Manager commented, "Increased Far East demand for recovered paper is likely to return in the medium to long term but this is unlikely to be at the growth levels seen over the last 5 years. The UK must learn from the lessons of these volatile times and, like the banking crisis before it, look at lowering future risks by examining what can be done domestically to make the UK more self sufficient." He added "WRAP must look in detail at this market collapse to see what lessons can be learned for the future with regards UK waste and recycling policy, with particular focus on the impact of UK government's apparent gold plating of household, municipal, industrial, commercial and packaging recycling targets. Before introducing higher and higher recycling targets, UK governments must ask themselves if there are solid, sustainable markets to accommodate reaching them, otherwise they are only kidding themselves."

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For more information, please contact Peter Seggie, Recovered Paper Sector Body Manager, on 07887 641481 or email pseggie@paper.org.uk.

Notes to Editors

- For additional information on the UK paper industry, in the first instance, please contact Catherine Waterfield, External Affairs Coordinator, on 01793 889612 or email cwaterfield@paper.org.uk. Alternatively, please visit: <http://www.paper.org.uk>.
- CPI is the voice of the paper industry in the UK, representing papermakers, tissue manufacturers, corrugated packaging producers and recovered paper merchants.
- The Recovered Paper Sector integrated and independent Recovered Paper Merchant Members manage around 67% of UK collected recovered paper.
- The Recovered Paper Sector Mill Members utilise around 75% of UK used recovered paper.