

New Report Calls on Government to Take Lead in Dealing with International Recycling Crisis

(date) A report by economic consultants, Peter Bacon & Associates into the impact of the recent price collapse in markets for recycling materials has called on the Minister for Environment to take a lead role in dealing with the market correction in order to protect the recycling market in Ireland.

According to the report the current market instability means that the value of a tonne of material recovered for recycling has fallen by €80 a tonne over prices in 2007. The report also uncovered that this drop in value could amount to losses between €20 million to €39 million for the waste industry, depending on level of recovery of prices. The report also reveals that high prices paid for recycling material were artificial and that business models in the recycling and waste industry would need to be adopted to help self guard the future of recycling in Ireland.

The report notes that prices that were available on world markets for recovered materials up to August 2008 made the system of waste recovery economically viable and made recycling cost-effective relative to landfill disposal. The subsequent price falls have shown that the true costs of operating waste recovery are considerably higher than previously perceived. Waste operators, the report says, should always ensure that business models adopted should either aim to reduce price volatility or ensure that the risk is fully incorporated in contractual arrangements – a practice that has not been entirely evident in recent times.

Until markets are restored to a steadier state, operators are unlikely to secure additional charges for services from businesses and householders. The report also confirms that Repak is constrained in its ability to increase membership fees given the limited enforcement regime and that obligated firms can opt to self-comply, in addition to difficult trading conditions experienced by its members.

Report author Bacon puts forward a number of recommendations, designed both for short term and longer term improvements to the system. In the short term,

- Stockpiling of materials should be resisted, particularly for materials that are likely to deteriorate, e.g. paper.
- Should current market prices persist, landfill prices should be revised to reconstruct incentives to recycle.
- Alternative EU markets for recycling material should also be explored.

- As a temporary measure, Government should take the lead by developing a programme, supported by the Environment Fund, to access international waste-to-energy markets for current stocks of mixed paper.

In the longer term and to improve the overall system, Bacon proposes that:

- A concerted effort to develop domestic recycling infrastructure should be progressed.
- Standards for quality of materials should be developed.
- Current compliance model should be streamlined and enhanced.
- A tightening-up on the current self-compliance system.
- EPA should take responsibility for enforcement.

The report, which was commissioned by Repak, was presented today to the Joint Óireachtas Committee on Environment, Heritage and Local Government.

Commenting on his report Peter Bacon said: "In a sense, we have been living in a somewhat false reality with the high prices that have pertained on waste markets, which have helped drive recycling rates to their current high levels. However, the collapse in market prices will undermine recycling into the future unless we reconstruct the incentive to recycle, particularly with higher landfill charges. There is also a need to develop accessible recycling infrastructure to help withstand future market adjustments."

Dr Andrew Hetherington, CEO, Repak added "This substantive piece of work points the way forward in correcting some of the systematic weaknesses that have been created on the back of high demand and high end market values. This is of particular note in the context of the current economic climate which is leading to higher price uncertainty."

Background to Recycling Market Correction

Cyclicity of prices is not untypical of commodity markets. The dramatic slowdown in global economic prospects towards end 2008 and the likelihood of recessionary impacts in major consumer markets has significantly impacted markets for recyclates, particularly papers and plastics. Much of Ireland's high recycling rates in recent years have been due to high demand and strong markets in emerging markets such as China, India and other Asian and Pacific countries. These are the source locations for much of the manufactured goods exported to the more traditional and richer economies in the

West, and recyclates have formed the basis of raw materials and other inputs into these goods.

As demand for consumer goods in the West softens, so too there is less demand from the manufacturing countries for raw materials such as recycled materials from Ireland and other European countries. Prices for recyclates have fallen dramatically over the past few months and many markets have effectively been closed. This has led to severe market difficulties for many Irish waste service providers, and focused attention on the Irish recycling system.

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About Repak

- Repak is a not for profit producer responsibility scheme for the recycling of used packaging funded by packaging levies charged to participating members companies.
- Since 1997 Repak has invested €145 million in supporting packaging recycling in Ireland.
- In total Repak have diverted over 3.6 million tonnes of used packaging from landfill since 1998.
- Repak have helped grow packaging recycling from under 15% in 1998 to nearly 60% in 2007

