

# Overseas options: the importance of exports to UK recycling



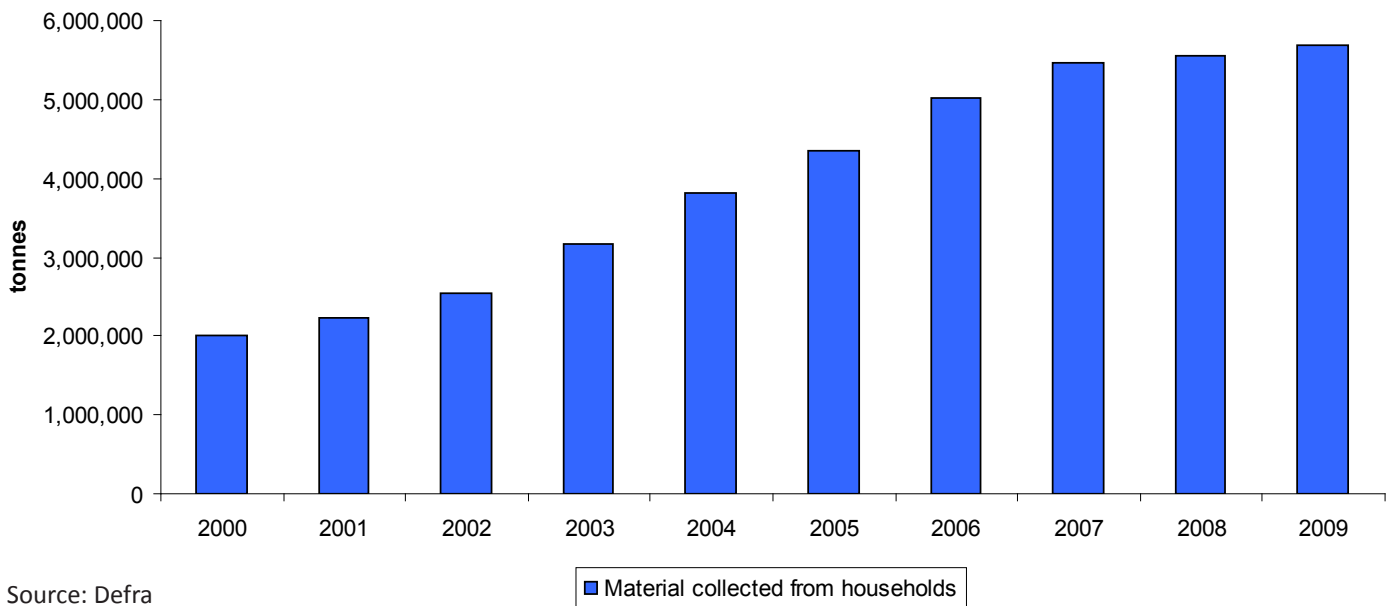
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As recycling rates have increased and recycling has become a ‘mainstream’ activity, interest has grown in what happens to material collected for recycling from households and businesses, and why some of this material (known as recyclate) is exported. ESA welcomes this interest, as greater awareness of the recycling value chain and the factors involved will encourage us all to recycle and recover more value from our waste. This brief is part of ESA’s contribution to improving public understanding.

## 1. We are collecting more recyclate than ever before and exporting more

Dry household recyclate collected in England 2000-2009



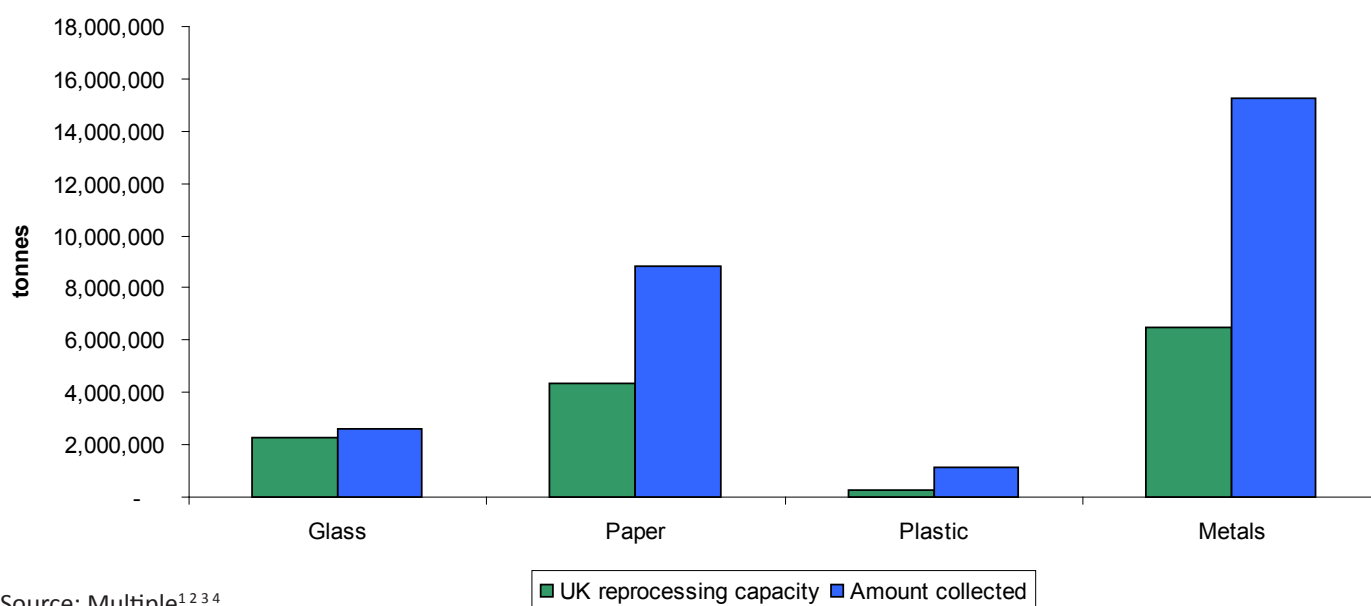
Source: Defra

Waste management has been transformed in the last ten years. Household recycling rates have risen from 12% to 42% and are expected to increase further. Business recycling rates are even higher. In EU terms, we have gone from 'also rans' to mid-table performers.

**ESA says: As householders, councils and waste management companies, we should all be proud of what we've achieved to date. But we should also aim to recycle even more in the future.**

## 2. Today, the domestic reprocessing sector is too small to absorb all this material

**Material collected compared to domestic reprocessing capacity**



Collecting material for recycling is only the first part of the story. These increasing volumes of material must have somewhere to go. The domestic reprocessing sector is simply not large enough to provide an outlet for all of the recycling we collect.



1 FEVE, The European Container Glass Federation, glass packaging production statistics, 2011

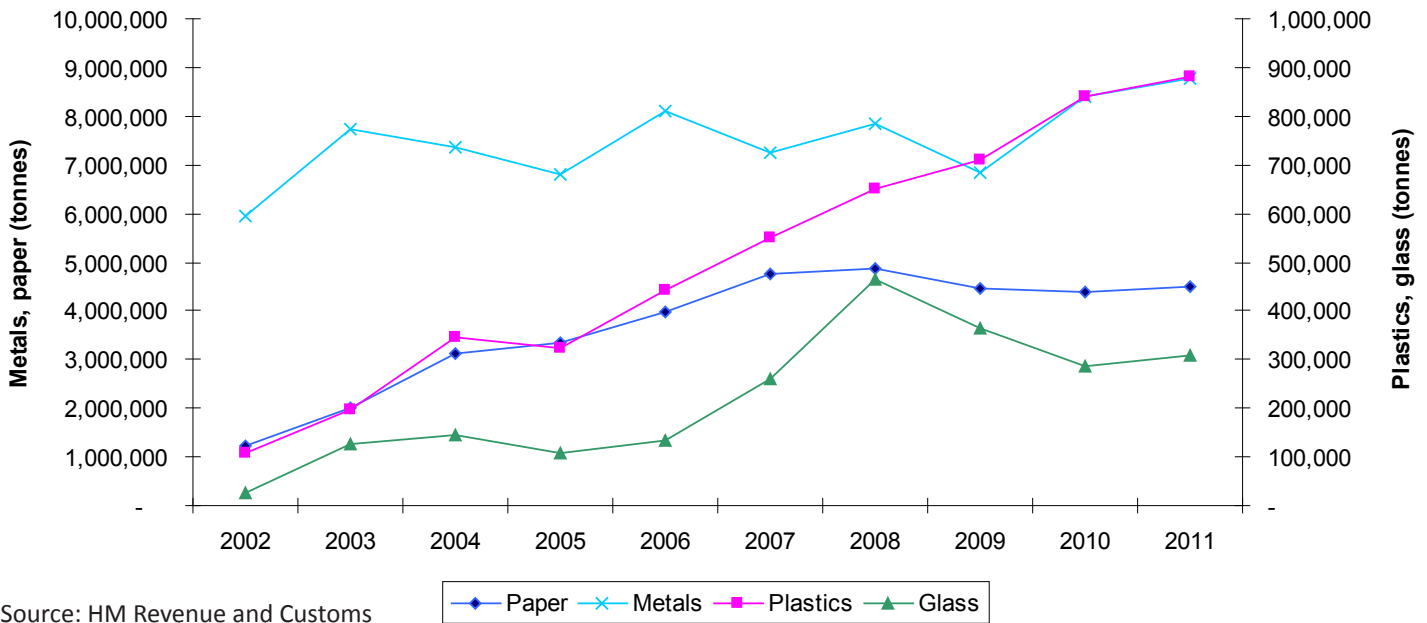
2 Confederation of Paper Industries, "2011 Annual Review", 2011

3 WRAP, "Realising the value of recovered plastic – an update", June 2010

4 British Metals Recycling Association web site, [www.recyclemetals.org](http://www.recyclemetals.org)

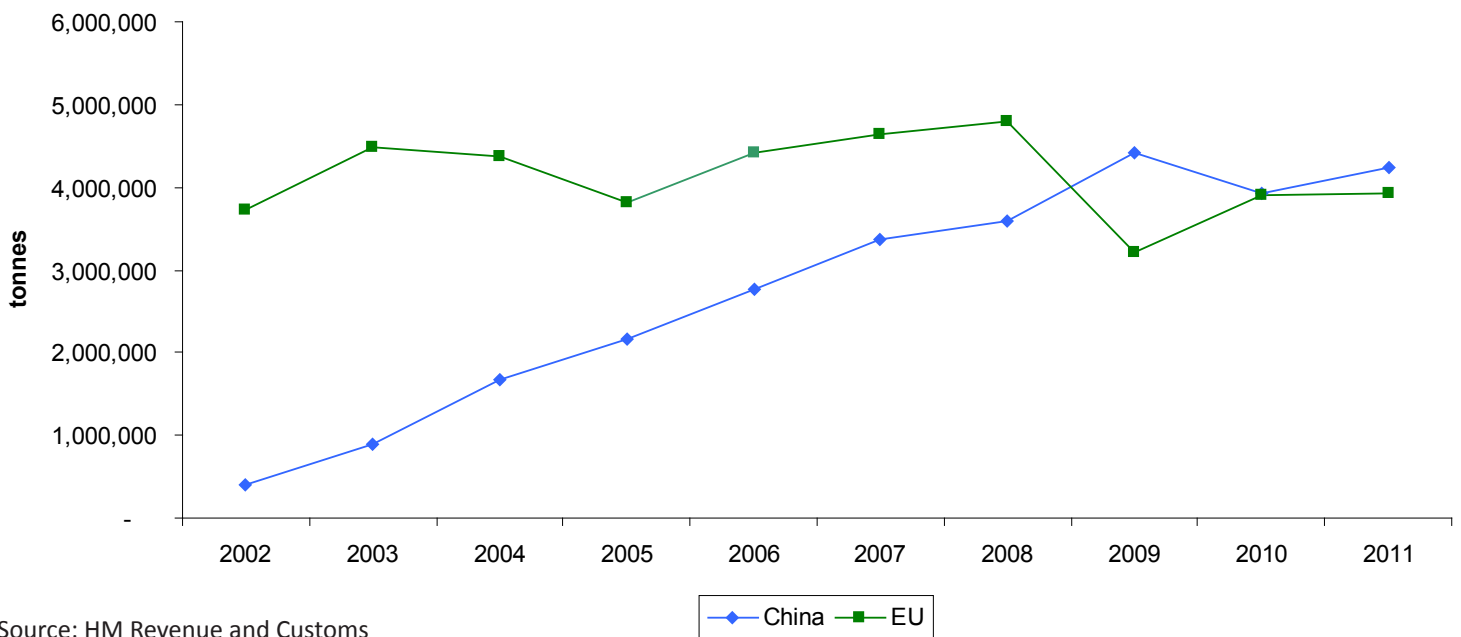
### 3. Export markets are essential if we are to turn all the material we collect back into new products

UK recyclate exports by material stream 2002-2011



During the past decade, exports to the EU have been relatively stable but exports to China have increased more than 10 times. China is one of the world's strongest manufacturing economies and has overtaken the EU as the largest export market for our recyclates.

UK recyclate exports to China and the EU

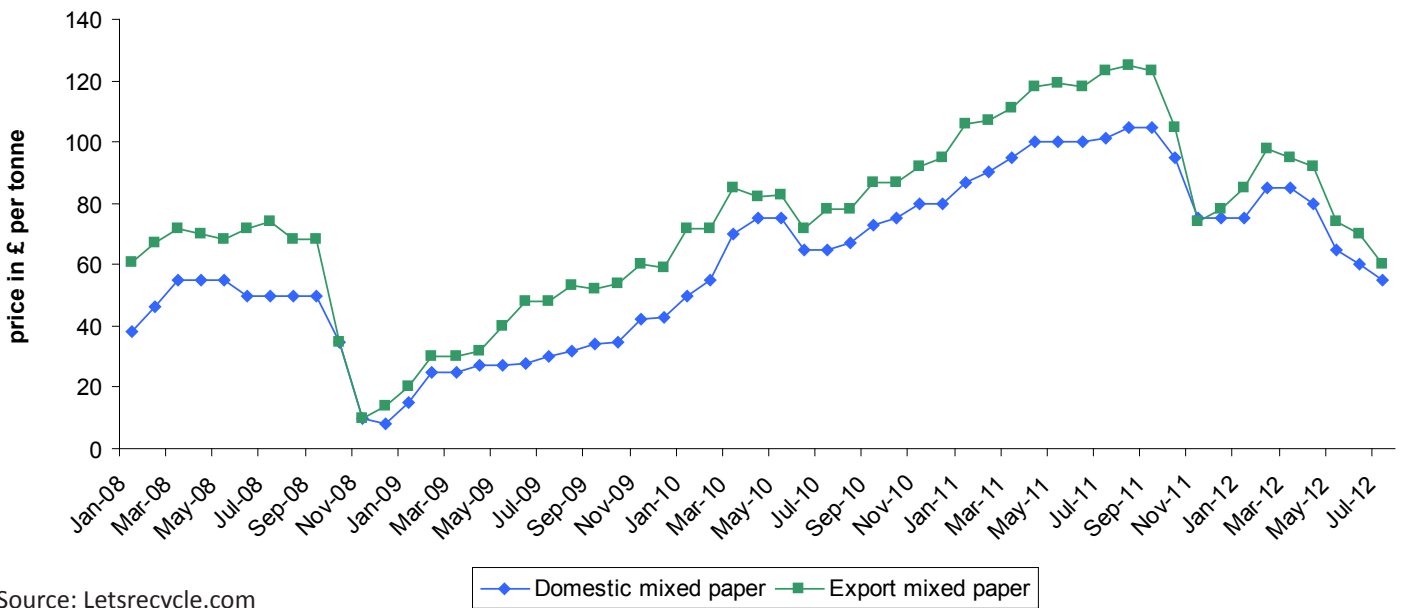


As things stand, the more recyclate we manage to collect, the more must be sold to reprocessing facilities outside the UK. If these exports did not take place the surplus material might end up being landfilled or incinerated, with less environmental benefit. Strong economic growth in China and the rest of Asia has led to a demand for UK recyclate and that trend has seen Asia become a key destination for recyclate from across the globe.

ESA says: What matters above all is turning the maximum proportion of UK waste back into products, displacing virgin materials and so providing economic and environmental benefits. Sales of recyclates to overseas reprocessors help us do this.

## 4. Overseas reprocessors often pay higher prices and expect high quality recycle

Domestic vs Export mixed paper prices



Source: Letsrecycle.com

Some argue that export markets are seen only as a way to get rid of poor quality material for a knock-down price. However, overseas reprocessors often pay higher prices than their UK competitors to purchase recycle. The reasons for this vary, but lower energy and labour costs and a vibrant local manufacturing sector undoubtedly help.

Equally, reprocessors vary in their business models and what type of material they want. Some will aim to maximise profitability by investing in equipment able to tolerate a proportion of non-target material in the recycle they buy, meaning they will need to pay less for this recycle but can still create a high-quality product. Others will focus on paying more to buy very high quality recycle. Overseas reprocessors fall into both camps.

### Chinese paper mill that buys UK waste paper



Source: Lee & Man Paper Manufacturing Ltd

Transport emissions from recyclate exports are small<sup>5</sup>, while selling recyclate into export markets as well as to UK reprocessors brings other benefits:

- Having a wide range of buyers for UK recyclate minimises the risk of market shocks disrupting our recycling efforts
- Given that overseas reprocessors sometimes pay higher rates, this can mean total income from UK recyclate sales is higher, which in turn reduces waste management costs for local authorities and businesses.

**ESA says: Selling UK recyclate to reprocessors abroad, as well as within the UK, is a natural consequence of waste becoming a resource and recyclates becoming priced commodities. It also keeps down the costs of managing waste for households and businesses.**

## 5. Should we aim to scale up the UK reprocessing sector to absorb more UK-collected recyclate?

The size and location of reprocessing plants are important investment decisions for companies and depend on many factors. These include labour, energy and tax costs, and proximity to demand for the raw material produced by reprocessors. On some of these factors the UK does not score well:

- Energy costs are a significant problem for reprocessors, not least because energy and climate change policies will add up to 20% to energy bills to energy-intensive industries by 2020<sup>6</sup>;
- Labour costs have tended to be lower in the Far East economies.

But we should not be overly pessimistic. Some analyses suggest that China's relative advantage of lower labour costs may be eroded during this decade<sup>7</sup>. And DECC is putting in place measures to try to offset excessively high energy costs for UK manufacturers. Efforts to 'rebalance' the economy towards manufacturing would also improve demand for reprocessor outputs.

Some have suggested that restricting the export of UK recyclate would encourage the expansion of the UK reprocessing sector. However if domestic reprocessors were given monopoly access to material at a reduced rate, it would probably also mean falling UK recycling rates. Surplus material for which there wasn't domestic reprocessing capacity may have to be landfilled or incinerated, and the incentive to find new ways to capture more material for recycling would be reduced. It would also almost certainly mean higher Council Taxes as Councils and their waste contractors would be selling material at lower prices.

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<sup>5</sup> WRAP, "CO2 impacts of transporting the UK's recovered paper and plastic bottles to China", August 2008

<sup>6</sup> DECC, "Provisional estimates of the impacts of energy and climate change policies on energy prices and bills of large energy intensive users", July 2011

<sup>7</sup> Boston Consulting Group, "Made in America, again: why manufacturing will return to the US", BCG Focus, August 2011

The debate around 'quality' and recycling often revolves around the role of exports. But we need to be careful to distinguish between two different issues. Under the Transfrontier Shipment of Waste Regulations, exports of raw or unsorted waste are illegal. Some waste criminals do try to make these sorts of exports, and tougher enforcement is needed to stop this. One of the reasons ESA has developed a MRF Code of Practice and its forerunner, the Recycling Registration Service, is to help the authorities target illegal exports. But this sort of illegal activity is very different from where sorted recyclate is legally exported for reprocessing to an overseas customer paying a good price.

**ESA says: We want to see a thriving UK reprocessing sector and several of our members are building reprocessing facilities here in the UK. We support measures to offset high energy costs for those involved in the UK's recycling supply chain, because ultimately they save much more carbon than they emit. But we don't support restricting legal exports, or forcing them to be redirected to UK reprocessors - this would be bad for competition, for future innovation, and for costs.**

*The Environmental Services Association (ESA) is the trade association representing the UK's waste and resource management industry. ESA's Members provide essential waste and secondary resources management services to the public and private sectors.*

*ESA works with all levels of government and regulators to deliver more sustainable waste management for the UK.*

*ESA's Members manage waste on behalf of the whole of society and we are recovering more of the materials and energy from waste than ever before: for example, quadrupling the UK's household recycling rates over the last 10 years. For further details please visit [www.esauk.org](http://www.esauk.org)*





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