

The Advisory Committee on Packaging
Defra
2 Marsham Street
London SW1P 4DF

9th November 2018

Dear operator

Potential withholding of PRNs/PERNs

The Packaging Waste Regulations rely on accredited reprocessors and exporters making PRN/PERNs available for qualifying packaging waste they have been responsible for recycling. By being accredited, operators are able to gain additional funding to support recycling activity and are crucial to the UK's ability to meet targets. Whilst well publicised export constraints have seen concerns raised over some targets – such as wood, plastic and the overall recycling target, one specific material has seen an anomaly of PRN pricing relative to the amount of reported recycling.

In the first three quarters of 2018 the publicly available information on the National Packaging Waste Database (NPWD) managed by the Agencies showed 76,500 tonnes of aluminium recycling had taken place. The net UK target for 2018 is 94,500 tonnes. Quarter 3 recycling was reported as 28,000 tonnes and on the assumption that Quarter 4 will achieve a similar level of aluminium recycling, then a significant year end surplus looks likely.

Normally in such a situation, PRN prices would be reduced by market pressure. However, where a small number of accredited exporters and reprocessors are responsible for significant volumes of recycling and they withhold PRNs from the market, this can distort the market leading to unnecessary price escalation.

The ACP is deeply concerned that there appears to be restrictive practices applied by accredited operators, which undermines the principles and integrity of the system. As a result, producers are being forced to pay unreasonable costs for PRN/PERNs to avoid non-compliance, without any clear additional environmental outcome.

The Agencies are unable to take any action to force accredited operators to place the PRN/PERNs onto the market, thus limiting any action against restriction of the supply of evidence. The ACP has therefore requested that the Competitions and Market Authority investigate the PRN/PERN market to determine whether any illegal activity, potentially in the form of restrictive practices, has taken place.

We will also be working with Defra and the Agencies to consider options to create a more stable system in the immediate future and hope that this will be seen as a positive move to maintain confidence in the PRN system.

Yours faithfully



Phil Conran
Chairman