

Joint Waste Management Board 8th March 2018
Agenda item 6; Importation of dry recyclable materials to China

Due to increased collection of recycling in the UK and a lack of local end markets here, the majority of our dry recycling has previously been exported to China. In August 2017, China, the world's largest consumer of raw materials, decided to ban 24 different grades of solid waste as part of its "National Sword" campaign against "foreign garbage", to protect the environment and improve public health. In January 2018, China began enforcing this ban of importing of 24 grades, including mixed paper and plastics. Until now China has been importing millions of tonnes of the world's waste every year to feed its recycling industry, so this ban will dramatically affect China's economy. The Chinese Government's aim is to help encourage local processors to purchase more local domestic tonnage, as the domestic recycling industry will in turn face more regulation and scaling up to meet this growing demand for the service. However, such developments in the Chinese recycling industry will take time to fully grow, creating a gap between the new ban and a time when China can generate enough of its own recycling materials to fill the deficit left by the reduction in imported materials.

The Bureau of International Recycling in China estimates that in 2016, China imported 7.3 million tonnes of plastic scrap from Europe, Japan and USA, accounting for more than half of all the waste plastic exported globally that year, and 27 million tonnes of waste paper. Greenpeace estimate that Britain alone has shipped 2.7m tonnes of plastic waste to China since 2012, with British officials admitting that there was no alternative market for such a high volume of waste.

The ban works by limiting import licenses, which are usually issued annually, and will now be issued quarterly, creating less certainty for processors for the security of their end market, and furthered by the use of quotas. The licenses are subject to increased restrictions, such as a reduction in the acceptable level of contamination from 1.5% to 0.5% to focus of quality material only.

The current knock on affect to customers are unclear, despite the industry panic. In the short term, processors (MRFs) are still taking the materials and suitable end markets are being found. However the concern remains that the remaining markets will be flooded with material, resulting in a back log of unwanted materials with processors. A number of MRFs are increasing the level of sorting in the UK specifically for mixed paper, in order to produce higher grades of material that can often be reprocessed in the UK without the need for export. For direct sellers (source separated producers) to the market, it is expected that affects will be directly felt sooner, as they have less 'buying power' in the industry, resulting in failure to secure a buyer at a good price (or even at all).

While UK plastic processors are cautiously optimistic, the effect of mixed paper is expected to be much greater, with index prices on this material falling from £75 to £25 in one month alone. News and Pams (higher grade paper) is not banned from importation into China and therefore remains at a stable index price. Index prices (which affect the prices paid to authorities usually) have a lagged affect to market condition, so are expected to fall, to reflect the actual reduction in prices being achieved when selling to outlets by processors, the struggle to secure end markets and the increased cost of further processing to reduce contamination. For new contracts, short terms and high fixed gate fees of approximately £80 appear to be the norm. For existing contracts, some processors are requesting alterations to gate fee levels to cover the cost of their increased processing.

In the short term, it is expected that quality will become an even more prevalent issue. The UK Government have admitted that this is not an issue that has, until now, been given much consideration, and as such, there is no official guidance or support at present. Whilst this is also an opportunity for new markets and better technologies to emerge and for changes to producer responsibility in the UK to advance, such developments take time, and long-term viability is a concern. Although China announced its intentions back in the summer, the lack of a phased approach to this ban has shocked the industry in

the UK. There is one school of thought that such fast implementation may back fire and China may revoke the ban and replace with a phased approach over time, to allow their own recycling systems to develop alongside any changes to importation. Local Authority representative organisations (such as LARAC) have given evidence to MPs on this topic and are calling for long term, robust policy measures in order to stimulate the infrastructure required, calling for more information with the release of the Resource and Waste Strategy later in 2018.