

23 May 2018

Waste and Recycling Update – impact of China’s ban on imports of waste material

Purpose of report

For information.

Summary

Recommendation

For members to note the update provided. Next steps for councils will depend on whether prices for paper and plastic continue to remain flat, and what contract arrangements they have in place. Members may wish to review the impact in another 3-4 months.

Actions

The LGA’s lobbying position on recycling plastic is set out in paragraphs 15 to 20. Officers will continue to pursue the Board’s agreed lobbying strategy.

A planned research exercise on the impact of a deposit return scheme on council collections will be widened to gather data on the impact of the China import ban.

The waste industry trade body ESA are seeking opportunities to work with the LGA on ways of working to manage cost pressures and enable quicker service changes. Action could include a roundtable event with industry and local authority representatives.

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Waste and Recycling Update – impact of China’s ban on imports of waste material

Background

1. The Board discussed Waste and Recycling at the meeting on 24 February and touched briefly on the impact of the waste import ban by China.
2. From January 2018 only post-production scrap plastics have been accepted by China, while no mixed paper and board is allowed. From March 2018 a contamination limit of 0.5 per cent has been set for imports of paper, plastic and other materials.
3. Paper and card makes up 38 per cent of the dry recycling collected by local authorities (which also includes glass and cans). Plastic makes up 7.9 per cent of dry recycling. The volume of paper and card in household recycling has gradually decreased over time¹.
4. Market prices have been dropping since the China impact ban came into effect. The average price of mixed paper has fallen from £93 per tonne in March 2017 to £10 per tonne in March 2018². The value of plastics has also dropped although not as significantly as mixed paper.
5. In January 2018 the UK exported 54 kilotonnes (kt) of plastic, an 18 per cent fall from January 2017³. UK plastic is being exported to alternative markets in Malaysia, Vietnam and Turkey.
6. The UK exported 407kt of recovered paper in January 2018, unchanged compared to the previous year. About half the paper was exported to China with the other half going to new markets in India, Vietnam and Indonesia together taking as much exported paper as China.

Issues

Impact of the waste import ban by China on councils

7. Information from councils reflects a mixed picture of the financial impact depending on contract arrangements and their reliance on export markets. Wrap reported that three councils (out of 50 replying to a survey) had seen stockpiling in their contractors supply systems⁴.

¹ Waste managed by local authorities in England 2016-17, Defra statistics

² Wrap recovered materials market snapshot March 2018

³ As above, HMRC trade data

⁴ Wrap, as above

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8. The table below summarises feedback provided by councils to the LGA including the Waste and Recycling Sounding Board group of officers. Figures in Table 1 below are estimates and they are not attributed to specific councils due to commercial sensitivity.
9. This is a snapshot of experiences and the level of current knowledge is patchy. This gap could be filled by extending proposed LGA research into the impact of a national deposit return scheme on kerbside collections to also cover the financial impact of the China waste import ban. This will be developed as part of the agreed LGA waste and recycling work programme.

Table 1: Impact on councils of the China waste import ban and potential financial implications

Impact	Potential financial implications
<p>Double sorting/additional sorting processes to reduce levels of contamination (particularly of mixed paper)</p> <p>This might be a technical solution or additional staff to hand pick mixed materials. Processing may be slowed down in order to increase quality.</p>	<p>Additional cost of £500,000 per year (council estimate)</p> <p>Increased operating costs at materials recovery facility (MRF)</p>
<p>Loss of income from recycled material</p>	<p>Estimated by one council at £3million a year for 2018-19 if paper price stays at £0 per tonne (compared to £90)</p> <p>One large waste disposal authority predicts that they could lose around 50 per cent of income from dry recyclates if prices remain at current low</p> <p>Two tier example: Returns to district councils have fallen by a half because of the fall in value of paper and a drop in textile values. In this case the County Council sets a “basket price” for recycled material</p>
<p>Higher contamination rates</p> <p>Tighter definition of “non-target” materials</p>	<p>Depends on contract arrangements – could result in reduced payments to council</p>

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(for example greeting cards and wrapping paper no longer accepted by contractors processing mixed paper from household collections)	
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Future markets

10. There is little robust evidence on the capacity of the UK recycling industry to recycle more material collected from households. The UK paper industry have argued that the poor quality of material collected from households is a barrier to use in their mills. They would like more councils to collect paper separately from other materials. Defra are examining the potential to process more material for recycling in the UK. Information from this exercise should be available in August.
11. The low grade plastic exported to China does not have a ready market in the UK. The sheer number of plastics used in packaging makes it difficult for councils to sort for recycling. Many types of plastic do not have an end market for recycling. Change needs to come from producers to reduce the number of plastic types in use and to use more recycled plastic.

Other impacts

12. Councils negotiating new waste collection and disposal contracts are finding a mixed reaction from suppliers on share of risk from the sale of recycled material. Suppliers are unwilling to take 100 per cent of the risk and future contracts are likely to split the risk between contractor and supplier.
13. Decisions about waste infrastructure are difficult to evaluate. Investing in new sorting facilities (MRFs) is a major long term investment, but the business case is difficult to evaluate in the current context of volatile prices for recycled materials and increased operating costs.

LGA's agreed position on increasing the amount of plastic recycled from household waste

14. LGA supports the ambition to achieve zero avoidable plastic waste by end of 2042. 98 per cent of councils offer some form of plastic recycling. Limitations in recycling are due to the fact that producers use a range of different quality plastics and councils are only able to deal with the plastics that their contractor has the facilities to recycle. Councils also have to consider locally what the financial case is for recycling plastic.
15. LGA will work with Treasury on the call for evidence on how the tax system/charges could reduce the amount of single use plastics waste. It is essential that industry rationalises packaging formats and uses plastics which are easy to process at the reprocessing stage and maintain a value on secondary markets. Local government

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would like to work with Government on a communications campaign around improving the quality of recycled material. This will help to ensure that recycling is of greater value than incineration.

16. Reform of the producer responsibility system would be welcomed. Currently, the UK raises the lowest level of contribution from producers amongst all EU member states at less than 20 Euro per tonne of material compared to 200 Euro in Austria and over 150 Euro in France and Spain⁵. Any new scheme must ensure that producers take greater responsibility for the life cycle of the waste they create. This burden is currently predominantly placed on council tax payers. Local government would like involvement in how any additional funding raised from producers is spent.
17. The LGA backs councils in volunteering to commit to removing all single use plastics from their estate offices and associated activity such as installing water fountains to reduce the use of plastic bottles.
18. The LGA supports clearer labelling of all items to provide householders with information about how to recycle products. Greater focus is needed on the products which are difficult to recycle and may require industry to offer take back schemes i.e. mattresses.
19. Consistency of collection systems remains an area of debate. This is a problem which begins at the production stage where producers are not using consistent materials in the products/packaging they produce. If producers were consistent in this initial phase, local government would have a more consistent set of materials to collect and pass on to re-processors. Re-processors need to be able to accept a range of materials. This currently isn't the case as it is dependent on a market being available for these materials. Councils can only vary their current collections when contracts come up for renewal or by paying a penalty clause. Government needs to indicate if it would be willing to pay to deliver greater consistency in a shorter timeframe. The consistency debate needs to be considered in the round and not just by focussing on the middle part of the cycle which local government delivers.

Implications for Wales

20. There are no specific implications for Wales.

Financial Implications

21. None.

Next steps

22. Members to note the update provided.

⁵ European Commission report: Development of Guidance on Extended Producer Responsibility (EPR), Final Report 2014

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23. Officers to take forward actions as directed by the Board.