Position Paper

# Future UK Residual Waste Infrastructure Capacity and its Feedstock

## Background:

In 2013, the Department for the Environment, Food and Rural Affairs (Defra) announced that it expected "to have sufficient infrastructure in England to enable the UK to meet the EU target of reducing waste sent to landfill". In 2014, Defra further announced that it "will be stepping back in areas where businesses are better placed to act" and does "not have the capacity to take forward new policy work in areas such as... proactive energy from waste policy development".

Long-term residual waste infrastructure contracts are invariably capital intensive and generally impose guaranteed minimum tonnage levels on feedstock suppliers. Potential infrastructure over-capacity poses a risk to latent recyclable material, including paper, in residual waste streams. Future capacity growth is based upon competing stakeholder estimates of market development. There is no consensus, and no one generally agreed projection of market development. This is a recipe for a market "free for all" and resultant overcapacity, with the potential risk that once facilities are built they will need to be fed for a number of decades.

A recently updated report by the consultancy Eunomia holds that planned UK capacity in the next 15 years will exceed the required level[1]. As of 2015, annual capacity either built, planned or having reached financial close is 24.5 million tonnes. This exceeds the anticipated demand of 23.1 million tonnes of residual waste expected in 2020-21, including material currently being exported as Refuse Derived Fuel (RDF) which is estimated to be in the region of 3.3 million tonnes per annum. Eunomia is at odds with other studies which project significant and continued growth of residual waste in coming years.

Of most concern is the fact that of recent estimates, only Eunomia attempts to project beyond 2025. This is critical for investment decisions given the long-term nature of these capital investments. Whilst it is possible that the market could reach a self-regulated balance, as the opening of new capacity may deter others from entering the market, Eunomia states: "However, the lead-times involved in the development process, and the associated level of inertia in the system, imply that the pace at which it responds to the emergence of over-capacity may not be sufficiently rapid to prevent it." [2] A precedent exists in waste management markets. The number of materials sorting facilities grew rapidly in the middle of the last decade, driven by a perceived opportunity in secondary commodities, and reached a point where there was over one million tonnes of processing overcapacity. Much of this now appears to have been closed if the quarterly returns to the Environment Agency under the MRF CoP regulations are to be believed.[3]

The threat for the Paper Industry and secondary fibre markets is that, given overcapacity in Energy from Waste plants in Mainland Europe (Holland, Sweden and Germany), further capacity growth in the UK will result in gate-fee competition for material. Since it is better to run capital intensive equipment at a loss than not at all, it seems likely that material that would otherwise be recovered and recycled will instead be incinerated or otherwise treated. This possibility is exacerbated by current trends which suggest that energy recovery is profitable whilst recovery and recycling is less so.

## CPI Position:

The current lacuna in UK Government policy on residual waste treatment capacity provides no incentive to recycle or up-cycle, or to optimise the potential of secondary resources either for the good of the economy or the planet, as required by the recent EC Circular Economy package. CPI calls on the Government to engage with this

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issue and acknowledge the risk to secondary commodities and the waste hierarchy if there is over-investment in waste treatment facilities. CPI acknowledges that thermal waste treatment technologies can provide a solution for the disposal of (genuinely) residual waste and that Government departments are under severe and increasing budgetary constraint.

However, as a minimum CPI believes the Government should;

- Undertake a comprehensive, risk based analysis of projected waste arisings, taking opinion from interested stakeholders to reach a consensual view of future volume development out to at least 2030.
- Analyse existing and "approved" waste treatment facilities recording capacity and location
- Examine and take into account current export flows and existing European capacity, bearing in mind that over 20% of waste going into the European EfW industry is already UK derived.
- Create a national strategy for EfW and other waste treatment capacity development with capacity limits based upon regional requirements and taking into account the impact of recycling targets in reducing overall waste volumes.
- Set clear limits on the maximum allowable content of recyclable materials in Refuse Derived Fuels (RDF).
- Endorse a commitment and strict adherence to the waste hierarchy.

## Further Information

Further information is available from Simon Weston, Director of Raw Materials, on 01793 889605 or email sweston@paper.org.uk.

## Confederation of Paper Industries

- The Confederation of Paper Industries (CPI) is the leading trade association representing the UK's Paper-based Industries, comprising recovered paper merchants, paper and board manufacturers and converters, corrugated packaging producers, and makers of soft tissue papers.

- CPI represents an industry with an aggregate annual turnover of £6.5 billion, 25,000 direct and more than 100,000 indirect employees.

- For facts on the UK's Paper-based Industries please visit: www.paper.org.uk.

[1]Residual Waste Infrastructure Review (RWIR) published 2011, update December 2015

[2]Residual Waste Infrastructure Review Issue 9, Section 4, p 8. Pub. Eunomia Research & Consulting Ltd 37 Queen Square, Bristol, BS1 4QS United Kingdom http://www.eunomia.co.uk/services/waste-recycling/treatment/rwir/

[3]The Environmental Permitting (England and Wales) (Amendment) Regulations 2014 apply the Materials Recycling Facility (MRF) Code of Practice (CoP).

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