

BALANCING DEMAND AND SUPPLY FOR SECONDARY RAW MATERIALS

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prêts pour la révolution de la ressource



Overall a Package moving in the right direction

A balanced legislative proposal

Overall analysis of the Package

- **SUEZ welcomes the Circular Economy Package** published on December 2nd.
- Share Commission position: *“an essential contribution to the EU's efforts to develop a sustainable, low carbon, resource efficient and competitive economy”*.

- **The waste legislative proposal is balanced while being ambitious.**
- Only 4 issues appear for SUEZ

1. Fine-tune suggested harmonization of the calculation method and definitions

2. Build on proposed General requirements for Extended Producer Responsibility schemes to better control their functioning and development

3. Ensure implementation of suggested improvements to the Waste Shipment Regulation

4. Widen the scope of the Circular economy to Commercial & Industrial Waste

Overall a Package moving in the right direction

The Action Plan needs to move further and quicker to reach its goal

Taking the Action Plan further

- Action Plan is a **good starting point**

- **Actions on 2 of 3 key points** for transition from Waste to resource:
 1. Quality of Secondary Raw Materials (SRM): **included**
 2. Demand (Pull) for SRM: **absent**
 3. Offer (Push) of SRM: **included.**

- **Increasing mismatch between the dynamics of supply and the dynamics of demand** = State of crisis for the EU recycling sector

- Need for **complementary measures to support national actions**, as well as an adapted timing to balance existing Push measures (e.g. 2020 recycling targets) with immediate Pull measures.

- Or else **key actors of the chain will continue to disappear**, and **targets will not be achieved** (re-industrialization strategy, recycling targets, landfill targets ...).

Lessons learned in the Renewable energies

Parallels to inspire from the good practices and skip the downfalls

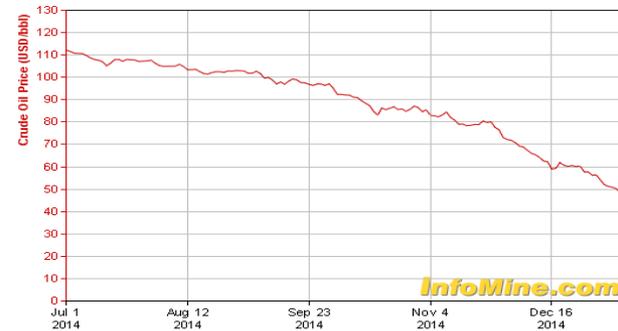
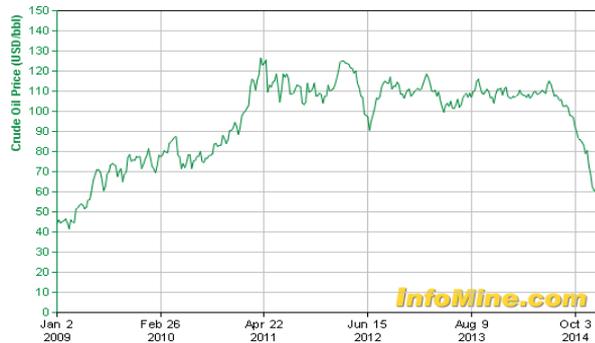
Parallel in the transitions from fossil based energy to Renewable energies & from primary raw materials to Secondary Raw Materials

- **Policy wise:** 2009 Energy / Climate Package defined renewable energy targets for Member States (20% by 2020)
Waste Framework Directive defined recycling targets for MS (50% of MSW by 2020)
- **Price wise:** renewable energy **not competitive** in 2010, “*support schemes*” included in Renewable Energy Directive, national action plans financially supported production of renewable energy
Recycling reached 43% of MSW with little / no support
But **going further will be a challenge**, especially in current context.
- Energy Climate Package = **energy transition**;
- Circular Economy Package needs to **transform waste into resources**.
- But this will only be possible through specific **support mechanisms**, as for renewable energy, and this is **lacking** in the Circular economy Package.

The cost gap between primary and secondary raw materials (1/2)

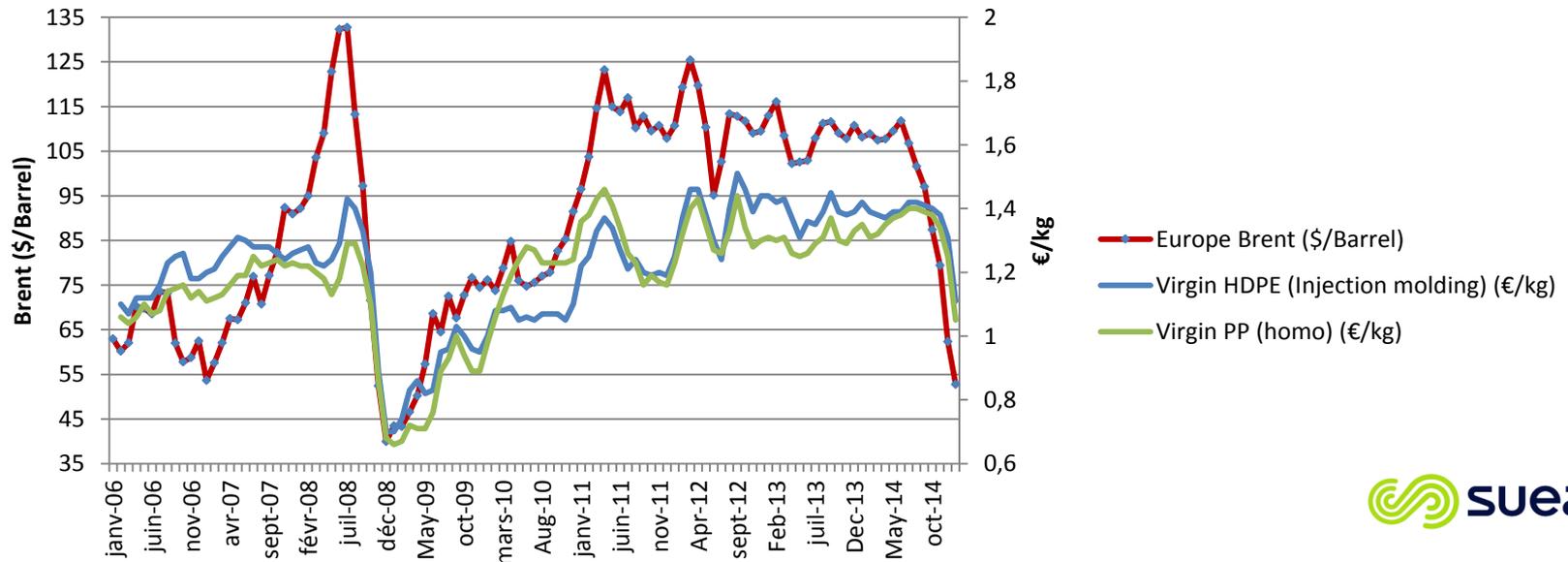
Market dynamics leading to a lack of demand

Since July 2014, prices of crude oil deeply falling (high supply, low demand, geopolitics)



Prices of virgin PE and PP resins correlated to the crude oil price.

Brent / Virgin HDPE / Virgin PP: Price evolution 2006-2014



The cost gap between primary and secondary raw materials (2/2)

Market dynamics leading to a lack of demand

Market price of the recycled resins can be empirically determined from the crude oil price, while their cost is hardly correlated with crude oil.

Market price simulation

Crude oil market price

When the crude oil price is low, historically:

$$\frac{\text{crude oil price}}{0,45} < \text{virgin} < \frac{\text{crude oil price}}{0,30}$$



Virgin plastics market price

The recycled plastics can empirically be sold at a maximum value which is:

- 80% of the virgin HDPE for r-HDPE
- 90% of the virgin PP for r-PP



Recycled plastics maximum market price

R-plastics Cost simulation

Bales (post collection & sorting) market price
(hyp: 300€/t)

+

Production of SRM process costs
(hyp: 500€/t)

=

Very few correlation with the price of the crude oil or the resin

Recycled-plastics (R-plast) cost

Support mechanisms (1/3)

More ambitious Green Public Procurement

○ Actions needed at

- **EU level:** “*support scheme*” article in Waste Framework Directive, guidelines, ...
- **National level:** effective action plans.

○ 3 Support mechanisms suggested by SUEZ

1. More ambitious Green Public procurement

Renewable energy sources were given priority access to the grid

- Binding **national target** included in mandatory National Action Plans
- Supported by harmonized and upgraded **green criteria**,
- Supportive **training** of civil servants.
- **Recycled content** through upgraded product policies (Ecodesign and Ecolabel), and voluntary agreements (e.g. priority materials: plastics or C&D waste).
- Example in France: 40% of recycled paper in public procurement by 2020.

Support mechanisms (2/3)

Financial support schemes

2. Financial support mechanisms to cover the cost gap

Renewable energy given financial support through direct and indirect financial aid (MS and EU), in accordance with State Aid rules

- EU drafting **guidelines** for Member States on financial support mechanisms
- EU fast-track procedures and guidelines for **State Aid rules**
- **National level**: develop effective financial support mechanisms (direct or indirect financial aid, insurance policies ...).

- **Example in France**: French environmental Agency (Ademe) set up a financial support mechanism named Orplast to cover the cost gap between the price of virgin and secondary raw materials for plastics.

Support mechanisms (3/3)

Fiscal incentives

3. Fiscal incentives to send a price signal on SRM & recycling

Renewable energy were given fiscal incentives to increase their attractiveness:

- **EU drafting guidelines** for the Member States on adequate fiscal incentives to support investment in infrastructure and demand for SRM.
- Member States **implement** favorable fiscal environment.
- **Possible fiscal instruments** include:
 - Reduced VAT on SRM,
 - Tax shelters,
 - Capital allowances...

- **Example in China:** 0% VAT on Secondary Raw Materials to attract recycled material.