

**Intervention of Graeme Carus  
Business Development Director, EMR**

**EuRIC Annual Conference 2017  
28 March 2017, Brussels**

**Session 4: Levelling the playing field in the waste management &  
recycling sector**

Ladies and Gentlemen, Europe has done a great deal over the last 30 years to increase recycling and protect the environment. But all is not perfect, along the way we have failed to protect the recyclers. Worse still we have created an unlevel playing field that distorts the market and makes it harder to recycle. So now, at a time when our ambitions are to go further and move towards a truly circular economy, we must take measures to correct those distortions or risk losing much of what we have gained over recent decades. In short, we must level the playing field.

So what I want to do in this session is explain why I feel the playing field is not level and what we might do to correct it.

So why do I say it is un-level, well I do so on two counts. The first is because of the regulatory regime within which we operate and in particular the lack of consistent and effective enforcement and the second is because of the very different cost structures that apply to the primary raw materials with which we have to compete head to head.

But let me be very clear from the start, this is not an anti-raw materials agenda and I am not anti – regulation. Many of the products we recycle contain hazardous substances which need to be correctly removed and disposed of and it is right that these activities are regulated. Nor am I laying all the blame at the door of the regulators as they are increasingly expected to control more and more environmental initiatives with fewer and fewer resources.

But across Europe we have set out to achieve high standards in environmental care and sustainability. We have the long-established Landfill and Waste Framework Directives and their daughter Directives in Packaging, End of life Vehicles, Waste Electronics and Batteries. All of these regulations apply stringent controls to products and materials that are traditionally handled by the scrap metal industry. And again, I repeat I am not against having high standards in environmental care and sustainability. On the contrary, I very much support those objectives and I am proud, as many of my colleagues represented here today are, to play my part in delivering them. But what we are against is having high standards that are not properly enforced.

To understand why that is a problem we need to ask ourselves why we regulate in the first place and the answer to that is that we regulate to make someone do something that they would not otherwise do, either because it is difficult, or more often because it is expensive. If we do not then properly enforce those regulations, we distort the market and create an economic advantage for those, who do not comply. We create an economic advantage for the cheats and illegal operators.

I want to give you an example to help you understand the impact of this, I am going to use one of the sites in my company that treats and shreds End of Life Vehicles (ELV) – scrap cars to you and me. In regulatory terms, the first thing the site needs is an Environmental Permit.

This is a shredder site operating under the Industrial Emissions Directive (IED) and an IED permit for a site of this size and type costs 20 000€ each year.

But you can only receive a permit if you meet the necessary infrastructure requirements which include a fully concreted site area, a sealed interceptor for water collection, undercover storage for different waste streams and also some of the processed materials and numerous other requirements around air quality management and water and energy usage. To meet those requirements, it requires significant investment in the region of 5 000 000€.

But I said we also treat ELV at that site so that requires an additional permit an Approved Treatment Facility Permit or ATF Permit to treat scrap cars. This in turn requires an additional covered building, specialist equipment for draining oils fluids and fuels amongst other things and because fuel vapour is explosive that brings into play the ATEX regulations which cover dangerous substances and explosive atmospheres. In short, we have just added another 500 000€ to the infrastructure of the yard. But it does not stop there.

The scrap cars, we process, need to have the hazardous fluids and other dangerous substances removed and disposed of. To do that, we will incur time, labour and waste treatment costs in the order of 50€ per car. The yard processes 20 cars per day, 5000 cars per year so that equates to another 250000€ per year.

Still it doesn't stop there because if you take in a car the ELV Directive stipulates that you must recycle 95% of the car by weight. Which means that in addition to the metals you will need to recover plastic for recycling and get some level of energy recovery from the remaining materials, such as the foam and fabric from the seats, and the rubber from the engine and tyres.

So you can see, putting all that together, that complying with regulation is an expensive business

I ask you this:

If as a result of all that cost, the person doing the job properly can only pay 150€ for car and the illegal operator who does not have the costs of compliance can pay 200€ for the same car. Who gets that car? AND when the illegal operator gets the car who loses out? Well, certainly the legitimate operator, but make no mistake it also comes at a cost to the environment.

Now, I make the same claim about lack of level playing field in relation to primary raw materials. Having just explained the extensive range of regulation we are subject to, it should come as no surprise to say that the same level of cost is not imposed on primary raw materials. They are produced in very different economic conditions to recycled materials. They are mined at scale often in mines containing hundreds of millions of tonnes, even billions of tonnes of ore. They are mined in faraway places that may or may not have the same level of environmental control.

But that is not my point for today. My point for today is that they are large scale capital intensive operations with huge economies of scale. By contrast, recycling is a much smaller operation and more localised with high regulatory costs and fewer economies of scale. AND yet the recycled raw materials we produce have to compete on cost head to head, euro for euro with these primary raw materials. AGAIN, I am not anti-raw materials.

**On the contrary they are very much needed. For example each year worldwide, 1.6 billion tonnes of steel is produced. 500 million tonnes of that comes from recycled steel and 1100 million tonnes from newly mined materials. So, clearly mining ore and the coking coal that is required to turn it into steel is very much needed and will be for a long time to come.**

**BUT if we claim to be serious about a circular economy and if we say we are serious about sustainability, then we need to find a way of PRIORITISING the use of recycled materials ahead of primary. A way of allowing that recycled material, which is produced under a heavy cost burden, to compete fairly with the newly mined materials.**

So how can we level the playing field on regulation and support recycled materials relative to newly mined materials? Well, I refer back to my earlier point. We regulate to get someone to do something they would not otherwise do, BUT there is another way to change behaviour and that is to provide incentives to encourage the desired behaviours and outcomes.

It is time to stop relying SOLELY on regulation and start providing incentives for people to act in the correct way.

What might that look like. Well, if we stay with the example of a car. Each year in Europe 12 million vehicles become scrap, but only 6 million are reported through the official channels and more than 4 million are unaccounted for – in the illegal channels.

4 million cars in the illegal channels - this is clear evidence that regulation alone cannot achieve the required objectives. So why not provide an incentive for the last owner of the car to take it to a legally registered site.

Every car, by law, at end of life must have a certificate of destruction issued and this can only be issued by a registered Approved Treatment Facility. If we charge every user of the car 5 or 10€ each year, when they pay their road tax for the 10 -15 years it is on the road, and retain that for when the vehicle is end of life, we will have 100€ to give the last owner when the car is scrapped. Plus, the 150€ we would have paid anyway. So now we can pay 250€ and the illegal operator is still only 200€. Who gets the car now? We do.

But could we use incentives to level the playing field with primary raw materials. Well, again I think we can.

If we stay with the car example, I have already mentioned that in order to meet the 95% recycling target we need to recycle the plastic. Easy to say but very difficult to do.

There are 20 different plastic types in a car. First, we have to separate the plastics from metals and other materials. Then, we have to separate the plastics from each other to get them back into single polymers such as polypropylene and polyethylene which are the two most prominent types. This is a difficult and expensive process, but even when we manage to do it, there is little demand for recycled plastic and the people who will use it only want to do so if it costs less than virgin plastic.

But what if products made from recycled plastic pay no VAT.

My local shops have plastic buckets at 5€. What if there was one made from recycled plastic next to it exactly the same, but because it is made from recycled material and has no VAT, it costs 4€. Which bucket would people buy? I suggest the recycled one. By doing this, we would create demand for recycled materials and stimulate more recycling.

I hope you will have noticed that the incentives I am calling for are to provide direct support for recyclers. I am asking for support to motivate other actors in the recycling chain, other actors in the circular economy if you prefer, to do the right thing.

To conclude, 4 million cars per year in the illegal channels. If you think that is bad, think on this. There are currently 300 million cars on the roads of Europe. If nothing has changed by the time they reach end of life, that will be 100 million vehicles through the illegal channels. That is 75 million tonnes of metal, 10 million tonnes of plastic and 1000 million tonnes of hazardous fluids through the illegal channels

If that is not a good enough reason to act, I do not know what is.

It is time to level playing field.

It is time to introduce incentives and stop relying solely on regulation.

It is time for action not words.