

EuRIC Statement on paper recycling latest developments – Tackling international trade issues to move towards a more circular economy

Executive summary

Paper recycling is essential and well-established in Europe. It contributes directly to the circular economy by saving virgin resources while creating value and local jobs throughout the value chain, from collection, to waste treatment into recovered paper which is used to make new paper.

The latest developments, in particular the import ban imposed by China on waste paper and other raw materials, have disrupted the recovered paper market. These developments represent an immediate challenge for recycling companies recovering paper, many of them SMEs. Equally, they can provide medium to long long term opportunities if strong measures are taken now to substantially improve the well-functioning of paper recycling throughout the value chains.

Among the most important measures to turn challenges into opportunities, EuRIC calls for:

- Proper implementation/enforcement of **separate collection for paper** across the EU;
- **EU wide end-of-criteria** for paper based on EN 643 standard list of recovered paper grades to incentivise quality while boosting the internal market;
- **Eco-design to ensure** that paper can be recovered in all products once they reach end of life and phase out unrecyclable products;
- **Incentives to boost the demand** of products containing or made of recycled fibres **and reward their environmental benefits** that the market fails to internalise.

EuRIC - The European Recycling Industries' Confederation is the umbrella organisation for recycling industries.

Through its Member Federations from 20 EU & EFTA countries, EuRIC represents across Europe over:

- *5,500+ companies generating an aggregated annual turnover of about 95 billion €, including large companies and SMEs, involved in the recycling and trade of various resource streams;*
- *300,000 local jobs which cannot be outsourced to third EU countries;*
- *An average of 150 million tons of waste recycled per year (paper, metals, glass, plastics and beyond);*
- *Recyclers play a key role in a circular economy.*

1. Free & fair trade instrumental to the well-functioning of the recovered paper market

Recovered paper is a valuable raw materials which is bought on the basis of its price, quantity and quality. Its price is set, as any commodity market, on the basis of the global supply and demand. Free and fair trade is instrumental for recyclers as the recycling industry is heavily dependent on the well-functioning of:

- ✓ **The internal market for secondary raw materials** since both recycling facilities and paper mills using recovered paper are located across Europe and not necessarily in each Member State;
- ✓ **International markets**, especially since for recovered paper, the European supply substantially exceeds the demand in Europe.

The recently implemented China’s import ban on mixed paper and the revision of the China’s GB standard have had a major impact on the recovered paper market in Europe. The consequences of the China’s import ban underline the fact that recovered paper is a global market.

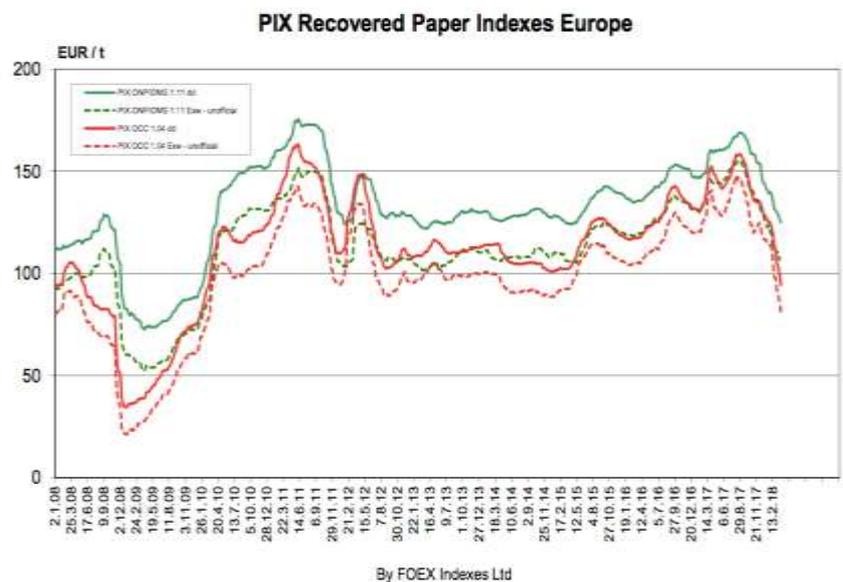
❖ China’s import ban on diverse categories of “solid waste” imported as raw materials

✓ Negative market impacts

The European oversupply of recovered paper structurally exceeds 8 million tonnes (MT) per year for a total amount of 55 to 60 MT of waste paper collected annually. Up to recently, a vast majority of the European oversupply of recovered paper was exported to China.

The announcement by China during summer 2017 and the implementation since 2018 of the import ban applicable to a number of “solid waste” categories, including paper, has seriously disrupted recovered paper markets. Although neighbouring countries in South East Asia have increased their demand, they can naturally not absorb such large quantities, nor can the European paper industry since a much welcomed European capacity increase cannot occur overnight.

As a result, the immediate effect is that recovered paper prices have sharply fallen since the announcement of China’s import ban (source RISI) and still remain volatile.



Cheaper raw materials reduce fixed costs to produce new paper. However, a sustained period of oversupply resulting in low prices have negative effects on the collection and recycling of paper as past developments (see e.g. 2008 during the economic crisis). As a matter of fact, as soon as sales revenues of recovered paper no longer cover the costs of collection and processing in quality grades, there is no more incentives to properly collect and treat waste paper which has a knock-on effect throughout the entire value chain (from public authorities investing into collection infrastructures to private companies collecting and processing waste paper). This renders paper recycling much more challenging than it was before since low prices endanger economic viability.

✓ **Genuine risks for the waste hierarchy**

In worst-case scenarios, waste paper, which could have been recovered, may be diverted from recycling facilities to landfills and incineration plants. These routes are cheaper but negate the very principles of the circular economy and would result in a loss of numerous environmental benefits in reducing CO2 emissions, energy consumption and preserving natural resources.

✓ **China's import ban breaching international trade rules**

EuRIC never challenged China's legitimate objective to enhance environmental protection and ban the imports of unrecyclable waste that can be a hazard to the environment and to human health. To the contrary, such an objective is fully supported by EuRIC. However, as explained in EuRIC comments published in December 2017, measures implemented by China, in particular the level of impurities for 'carried waste' set in the GB standards are disproportionate and discriminatory:

- **Disproportionate:** the level of impurities set by the GB standards are much lower than generally accepted level of impurities set in European (EN 643) or non-European standards (ISRI specifications). As result, they ban not only imports of 'foreign garbage' and wastes contaminated by hazardous substances to protect legitimate and supported human health and environmental protection objectives but also *de facto* the imports into China of high-value scrap commodities used as secondary raw materials by the manufacturing industry, meeting European and international standards.
- **Discriminatory** both because
 - i) there is no proven technique to measure in a standardised and predictable manner ultra-low thresholds set by the GB standards. As a result, operators exporting recovered paper to China, cannot determine beforehand whether their shipments are or not compliant with Chinese rules and are constantly exposed to risks of ungrounded rejection with unbearable financial consequences.
 - ii) Chinese domestic suppliers of recovered paper are most likely not subject to the rules included in the GB standards applicable only to imports and hence don't have to comply with the thresholds for carried waste. Such a direct discrimination between domestic and foreign supply of the same raw materials is not justified and breaches international trade law.

2. Measures (urgently) needed to turn acute challenges in longer term opportunities

❖ **End-of-Waste criteria for paper to boost the European paper value chain**

The classification of secondary raw materials as waste or product determines the entire legal regime applicable to their use, permit requirements and shipment. The lack of EU-wide end-of-waste (EoW) criteria is the most important hurdle to the development of a well-functioning internal market for the European paper value chain. Daily problems faced by operators include:

- ✓ Legal uncertainty making it difficult if not impossible to arrange predictably compliant shipment of recovered paper meeting EN 643 quality standard within the EU:
 - For example, the Member State of dispatch and the Member State of destination may recognise recovered paper as a product but the shipment may transit through a country/region that considers the material as waste.
 - Absurd situations: for example, when the receiving facility cannot sign relevant documents required by the legislation for waste shipments (e.g. Annex VII document from the Waste Shipment Regulation (EC) No. 1013/2006) as the facility does not have a permit to accept waste because its Member State classifies recovered paper as product.
 - Unnecessary additional costs: Numerous fines, costs for stopped trucks in disputes, legal fees etc. imposed on companies trying to comply with non-harmonised EU legislation whereby recovered paper is a waste in one EU country and a product in another one.

This lack of harmonization forces recycling companies to monitor all the different regimes in the EU and take unnecessary legal and financial risks since different national authorities or even sometimes local authorities can decide differently in similar cases.

As a result of the current complex framework, it is sometimes easier administratively to ship recovered paper outside Europe than to an immediate neighbouring country.

❖ **National/regional EoW criteria for paper are positive but not a silver bullet**

National or regional EoW criteria recently enacted are a positive development since they demonstrate that public authorities acknowledge their necessity. These “local” EoW criteria are likely to increase since more flexibility is given in the recently revised Waste Framework Directive to Member States. Nevertheless, EoW criteria limited to a given country or region have the potential to further fragment the internal market if there is no cross-border recognition.

EU-wide end of waste for paper are instrumental to tackle daily problems faced by recycling companies and strengthen the internal market along the paper value chain. EU-wide criteria for paper should be directly linked to quality standards (EN 643) so as to boost both the internal market and reward quality.

3. Additional measures to boost paper recycling in Europe

❖ **Separate collection, quality standard & eco-design to achieve quality first objectives**

➤ Separate collection

Quantity and quality largely depends on the material use and design of products in which paper is embedded in the first instance and on the efficiency of the collection. EuRIC strongly supports separate collection which is a key prerequisite for quality secondary raw materials. Since paper can be recycled up to 6-7 times maximum, its separate collection is the best way to prevent cross-contamination at source of waste paper by other streams and boost quality recycling.

✓ Observance of fit for purpose quality standard

The paper recovery and manufacturing industry is at the origin of the well-accepted EN 643 setting quality requirements for recovered paper. In most cases, the level of non-paper components in various grades of paper is limited with a strict threshold of 1.5% (to be compared with the 0,5% threshold set by China in the GB Standards). Some grades consist of a certain mixture of newspapers, magazine or board adapted to the paper production process. Mixed paper is a grade listed in EN 643 which shall not be confused with mixed waste. In practice, paper mills can handle level of impurities higher than 1,5%.

✓ Eco-design of products containing paper and cardboard

More than 80% of the environmental impact of a product is determined at the design stage. EuRIC relentlessly support eco-design to ensure that paper can be recovered in all products containing paper once they reach end of life. Fees shall be modulated by extended producer responsibility schemes to reward recyclable products and heavily penalise unrecyclable ones.

✓ Boosting demand for recycled paper

To further boost the demand for recycled content and provide certainty needed to investors to increase recovery and production capacities in Europe, binding targets for recycled content, green public procurement and incentives rewarding the use of recycled fibres are strongly needed. Such measures would directly contribute to correct the failure of the market to reward recycling's environmental benefits, in terms of resource efficiency, CO2 and energy savings.