

ERPA Statement on the critical situation faced by the European paper recycling sector

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ERPA, the recovered paper branch of the European Recycling Industries' Confederation (EuRIC), is concerned about the **developments on the global recovered paper market** which **negatively impacts paper recycling in Europe**.

Paper is a valuable material used in numerous applications (packaging including food packaging, newspapers, insulation purposes, etc.). The recycling industry collects and recovers waste paper into standardized quality grade recovered paper in line with EN 643. Recovered paper is thus a commodity, whose supply and demand is not solely European but global, that can thus be used as a substitute or in complement of virgin pulp by paper mills to produce new paper.

As a result, the paper recycling value chain is already circular in many aspects. However, paper recyclers in Europe continue to face major regulatory and economic obstacles that hamper recycling and threaten their business activities. In addition, latest trade developments result in prices that have substantially decreased over the last two years.

1. Collection and utilization of recovered paper in Europe

Recycling rates for paper in Europe are steadily high. They exceed 70% - 71.5% in 2018 – and demonstrate that overall, collection of waste paper and its recovery are effective in the EU.

The latest statistics¹ show that Europe has collected in 2018 on average more than 56.5 million tons of recovered paper and uses more than 48.5 million tons of recovered paper to produce paper. As a result, there is a gap between supply and demand of +8 million tons in terms of excess supply in Europe.

This oversupply of 7 to 9 million tons is a structural one that is lasting for more than ten years and shows that Europe's collection systems to collect paper are pretty efficient, even though there is still room for improvement in the implementation of separate collection to preserve waste paper quality. Until 2017, the large majority of recovered paper oversupply – between 7 to 8 million tons annually – was exported towards China.

2. Disruptive trade practices worsen by the lack of political and regulatory responses

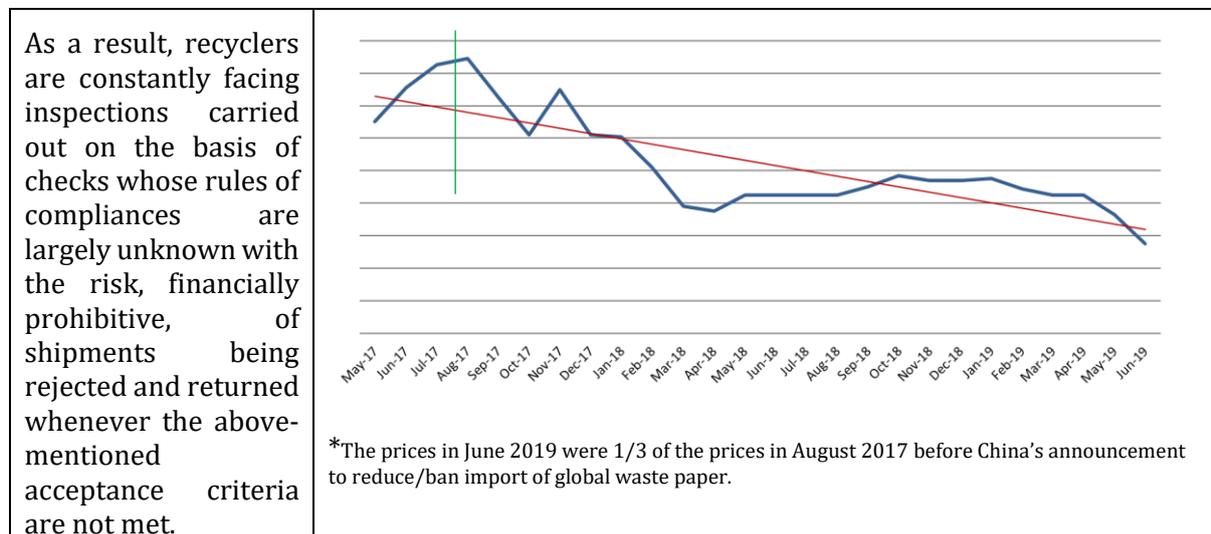
In 2017, China announced it would be reducing or even banning its import of global paper waste. Other Asian countries, such as Malaysia and Indonesia, have since declared to follow suit. As outlined in a statement², EuRIC never challenged China's legitimate objective to enhance environmental protection 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, EuRIC has strongly condemned the decision taken to anchor import restrictions on level of impurities which are disproportionately low and discriminatory since no standardized method to measure them is in place, leaving operators in a constant state of legal uncertainty as

¹ KEY STATISTICS 2018 European pulp & paper industry, July 2018, CEPI.

² EuRIC Statement on paper recycling latest developments – Tackling international trade issues to move towards a more circular economy, June 2018, available on: https://www.euric-aisbl.eu/images/PDF/ERPA_Statement_June2018.pdf

to whether a shipment is or not compliant³. Recent trade restrictions measures announced by countries such as Indonesia are based on inspections criteria which *de facto* result a subjective assessment which need to be urgently corrected.



The absence of end-markets for 8 million tons of recovered paper over the last two years has resulted into a sharp decline of recovered paper prices whose market price is 300% lower in June 2019 than in June 2017. The paper recycling sector is currently in a crisis situation with an increasing amount of companies active in paper collection and recovery which are ceasing to operate on a temporary or permanent basis, which is at odds with the objective of moving towards a more circular economy.

Europe's recycling industry can no longer bear such market conditions for a third year in a row on top of regulatory barriers that need to be addressed urgently. Beyond the impact for the private waste management and recycling industry, extremely depreciated prices jeopardize the entire recovered paper collection value chain, including local authorities, which cannot finance proper collections based on the revenues generated by sales to recycling companies.

3. Urgent measures needed to support paper recycling in Europe and beyond

The current trade restrictions set up by China and other South-East Asian countries can trigger opportunities for the European paper recycling industry provided urgent measures are enacted. Market-wise, additional capacities announced by the paper industry in several Member States are strongly welcomed since they will increase the demand for recovered paper in Europe. Nevertheless, building new capacities take time to be built and launched and won't be sufficient to close the gap between supply and demand.

As outlined previously, the European paper recycling industry strongly supports measures and actions aiming at restoring a healthy recovered paper commodity market in Europe and globally:

- Firmer actions by the European and national authorities to **prevent the implementation of trade restrictions** based on discriminatory and disproportionate criteria and restore a free and fair access to international markets needed to balance supply and demand;

³ EuRIC Statement on paper recycling latest developments – Tackling international trade issues to move towards a more circular economy: https://www.euric-aisbl.eu/images/PDF/ERPA_Statement_June2018.pdf



- **EU wide end-of-criteria for paper based on EN 643 standard list of recovered paper grades** to incentivise quality while boosting Europe's 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;
- **Substantially increasing**, whenever technically and legally feasible, **the financial contributions** to companies involved in the collection and recovery of waste paper falling under EPR Schemes. Such a short-term measure is essential to avoid a collapse of the existing collection and recycling systems enabling the achievement of high recycling rates;
- **Measures and incentives to boost the demand of products containing recycled paper fibres** and reward their environmental benefits that the market fails to internalise;
- **Investments in digitalisation**, such as block chain technologies to assist the elimination of illegal exporting and give a competitive market to European recycling companies in intra and extra-EU trade of secondary raw materials.

Measures and incentives can be set up via the revision of sectorial legislation, such as the Packaging and Packaging Waste Directive, stand-alone instruments setting up incentives or Green Public Procurement (GPP), taking into account the huge purchasing power of public procurement⁴ which is estimated to be worth 16% of GDP in the EU.

For further information, please contact: euric@euric-aisbl.eu

Through its Member Recycling Federations and Companies from 20 EU and EFTA countries, EuRIC represents today 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;
- ✓ Million tons of waste recycled per year (metals, paper, plastics, glass and beyond from household as well as industrial and commercial waste streams, WEEE, ELVs, etc.).

Recyclers play a key role in a circular economy. By turning wastes into resources, recycling is the link which reintroduces recycled materials into the value chains again and again.

⁴ <http://ec.europa.eu/trade/policy/accessing-markets/public-procurement/>