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Recycled Polyethylene Europe

Chemical Prices | News | Analysis

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Please click [here](#) for full details on the criteria ICIS uses in making these price assessments.

Overview

Overview

- **UK PCB supply short as PRNs nearly double March values**
- **R-HDPE packaging demand firm on sustainability goals**
- **Weak domestic R-LDPE demand continues**

The UK mixed-coloured (MC) post-consumer bales (PCB) high density polyethylene (HDPE) market continues to tighten because the rising value of Packaging Recovery Notes (PRNs) and Packaging Export Recovery Notes (PERNs) is encouraging the export of mixed plastic waste. Values have nearly doubled since March.

Demand for recycled high density polyethylene (R-HDPE) remains strong from the packaging sector amid rising sustainability targets. Nevertheless, weak construction consumption and a narrow gap with virgin high density polyethylene (HDPE) values continue to moderate upward price pressure.

Domestic recycled low density polyethylene (R-LDPE) remains weak because poor macroeconomic conditions are limiting construction demand and lower than average temperatures across Europe since the start of 2019 are limiting outdoor furniture demand. Limited domestic demand is being

counterbalanced to an extent by ongoing overseas buying interest.



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Outlook

- **Switch from FGP to other grades to continue**
- **August India export ban to moderate R-LDPE demand**
- **PRN values to remain high through Q2**

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Prices

R-HDPE SPOT PRICES

			Price Range	Four Weeks Ago	
R-HDPE Post-Consumer Bales, Mixed-Coloured					
Ex-Works NWE	EUR/tonne	n/c	250-350	n/c	n/a-n/a
Ex-Works UK	GBP/tonne	n/c	395-430	n/c	n/a-n/a
R-HDPE Post-Consumer Bales, Natural					
Ex-Works UK	GBP/tonne	n/c	550-610	n/c	n/a-n/a
R-HDPE Pellets, Natural					
Ex-Works NWE	EUR/tonne	n/c	1000-1050	n/c	n/a-n/a
R-HDPE Pellets, GP Black					
Ex-Works NWE	EUR/tonne	n/c	780-850	n/c	n/a-n/a
R-HDPE Pellets, Pipe Grade Black					
Ex-Works NWE	EUR/tonne	n/c	850-950	n/c	n/a-n/a
R-HDPE Pellets, Mixed-Coloured					
Ex-Works NWE	EUR/tonne	n/c	800-850	n/c	n/a-n/a
R-HDPE Pellets, Food-Grade					
Ex-Works UK	GBP/tonne	n/c	1100-1150	n/c	n/a-n/a

Post-consumer bales

Expectations that the **UK** will not hit its recycling targets this year have led to a spike in the value of PRNs and PERNs as companies look to cover the shortfall. This week PRN/PERN values were heard as high as £205/tonne, almost double their March value of £110/tonne and more than four times their price in May 2018 of £45/tonne. This has been encouraging the export of mixed-plastic waste as collectors can gain monetary value without cleaning and sorting waste. Because of the shortfall, some players expect values to remain firm at least throughout the second quarter.

As a result UK, MC PCB supply is becoming increasingly tight and there is upward pressure on prices as downstream producers can offset the value of the PRNs/PERNs against the cost of PCB. UK PCB prices in June are yet to be finalised, but spot export values were heard as high as £500/tonne ex-works. One UK buyer said that it had had spot bids at £470/tonne ex-works turned down in the past week because of the upward pricing pressure from PRNs/PERNs.

PRNs are a UK specific scheme whereby accredited reproprocessors sell PRNs on a per tonne basis to packaging producers and compliance schemes as proof that material has been recovered and recycled. PERNs are similar to PRNs, except that they are granted per tonne of waste exported from the country.

UK clear PCB are also tight because of strong demand from the packaging sector, but with supply and demand factors broadly unchanged, clear PCB are seeing less upward pressure than MC PCB.

In **northwest Europe**, mixed-coloured bale availability is also tight due to ongoing packaging sector demand. Consumption from the packaging sector has been increasing in recent months on the back of increasing sustainability targets from packaging brands resulting from changing consumer attitudes to plastics.

This remains counterbalanced by weakness in the construction sector due to poor macroeconomic conditions, and a narrow gap with virgin HDPE values. Although packaging applications are increasingly buying R-HDPE for sustainability reasons, other end-uses are predominantly cost-driven.

With public holidays across much of Europe this week, June price negotiations are yet to begin in earnest.

Pellets

Northwest Europe pellet demand remains strong because of pharmaceutical and cosmetic applications increasingly shifting away from food-grade pellets (FGP) due to structural shortages and to other grades of pellets - in particular natural pellets.

Cosmetic and pharmaceutical applications have traditionally used food-grade material, despite not being legally mandated to, as an easy way to ensure their technical requirements. Nevertheless, the recent consumer-driven raft of sustainability targets from packaging brands has created an ongoing shortage. The UK is currently the only European source of FGP, produced from used milk bottles. Around 110,000 tonnes/year of used milk bottles are collected in the UK for recycling.

Nevertheless demand for pellet grades, such as black pipe-grade, which are predominantly used by non-packaging applications is weak (see post-consumer bales section).

In the **UK**, although FGP supply remains structurally tight and underlying buying interest continues to rise along with sustainability targets, one seller said that although there is a lot of discussion in the market about increasing use of recycled material this is yet to convert into firm business.

Rising UK MC PCB prices in recent months (see post-consumer section) compared with the rest of Europe are placing pressure on non-food grade pellet competitiveness. One UK producer said that if values continue to rise it will be forced to switch to import material.

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June price negotiations in NWE and the UK are yet to begin in earnest.

R-LDPE SPOT PRICES

			Price Range	Four Weeks Ago	
R-LDPE Post-Consumer Bales, Mixed-Coloured					
Ex-Works NWE	EUR/tonne	n/c	50-150	n/c	n/a-n/a
R-LDPE Pellets, Natural					
Ex-Works NWE	EUR/tonne	n/c	960-1000	n/c	n/a-n/a
R-LDPE Pellets, Black					
Ex-Works NWE	EUR/tonne	n/c	700-750	n/c	n/a-n/a
R-LDPE Pellets, Mixed-Coloured					
Ex-Works NWE	EUR/tonne	n/c	700-800	n/c	n/a-n/a

Post-consumer bales

The Europe LDPE PCB market remains structurally oversupplied. Coupled with this, domestic demand remains weak (see pellet section). The market has been long since China introduced its ban on plastic waste imports on 1 January 2018. It is expected to further lengthen in the wake of proposals for similar bans across Asia.

Lower grade LDPE PCB bales with high contaminant levels continue to be sold at a loss, with cost-savings against incineration typically acting as the ceiling for how negative prices can trend. This cap does not exist, however, in countries such as Germany where plastic waste incineration has been banned.

With R-LDPE unsuitable for the majority of packaging applications, end-uses are dominated by construction and garden furniture applications. Weak macroeconomic conditions and lower than average temperatures across much of Europe have suppressed domestic demand since the beginning of the year.

Export demand remains high from China (R-LDPE pellets are exempted from the ban in China), India, Pakistan and Turkey. Nevertheless, values in China are significantly below those in Europe, with prices for lower quality grades heard at €500/tonne ex-works, while higher quality grades were heard at above €700/tonne ex-works. India demand is strong as buyers look to secure material ahead of a ban due to come in to force in August.

Pellets

Upstream

Virgin polyethylene (PE) demand in Europe is relatively strong with sources aware of planned and unplanned cracker outages taking place at present, leading to firmer upstream ethylene

values. There are no shortages of supply while imported volumes from the US have been lower than expected in April and May. More is expected to arrive in June and July.

Production

Recycling and waste management major Viridor's parent company Pennon Group plans to build a 63,000 tonne/year multipolymer plant in Avonmouth in the UK, the company has announced.

The plant is scheduled to begin operations in the financial year 2020-2021, a spokesperson for Pennon Group confirmed.

The new plant will produce a combined 60,000 tonnes/year of recycled polyethylene terephthalate (R-PET), recycled high

density polyethylene (R-HDPE) and recycled polypropylene (R-PP) flakes and pellets, rising to 63,000 tonnes in its third year of operation. The plant will consume 81,000 tonnes/year of post-consumer plastic bottles, pots, tubs and trays in its first year, rising to 89,000 tonnes/year in its third year of operation.

It will be powered by energy derived from 320,000 tonnes/year of non-recyclable waste.

Other Regions

Tanzania will implement a plastic bag ban on 1 June, joining many other African countries in attempts to tackle plastic pollution.

All plastic bags, regardless of thickness, will be prohibited from being imported, exported, manufactured, sold, stored, or supplied for use in Tanzania.

Visitors to the 57m people-strong east African country have been instructed to remove plastic bags from their luggage before travelling.

News

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[Africa PE and PP buyers ignore early offers in bearish market](#)

[Pennon Group to open multipolymer recycling plant in UK in 2021-2022](#)

[SIBUR opens Russia's first polymer R&D centre](#)

[Europe R-PET colourless flake and post-consumer PET bottle see opposing fundamentals](#)

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