

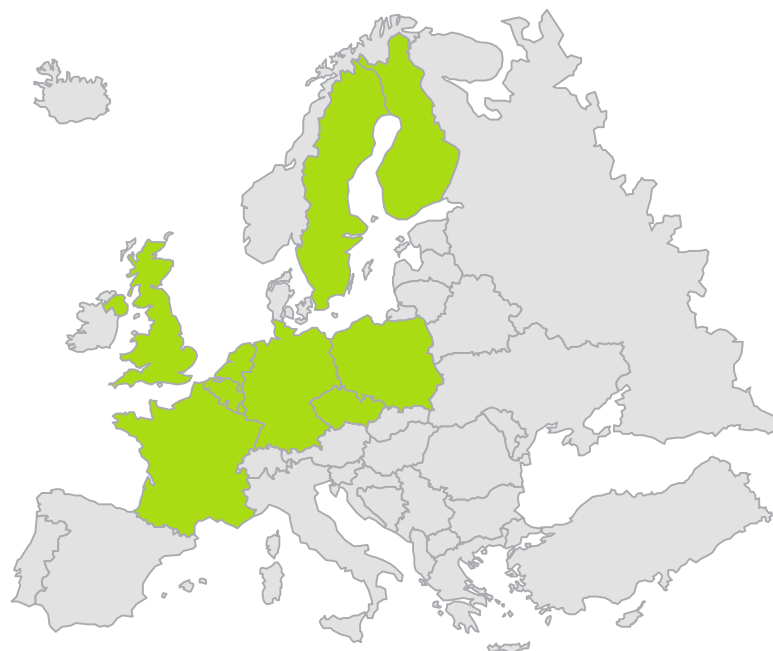
SUEZ R&R TRADING EUROPE

SUEZ TRADING: supplying secondary raw materials

- Launched in 2014
- **A trusted partner** for industrial leaders in their sectors thanks to its long-term waste & recycling experience
- Facilitates access to SRM market to clients through **centralisation of 100% of Suez European waste materials & external flows**
- **Improves product quality** through the communication of upgrade opportunities & standardisation of quality
- Provides **group expertise in trans-border documentation and full array of logistics solutions**

Volumes traded

c. 3Mt Paper c. 2Mt Ferrous
c. 1.5Mt Wood c. 0.1Mt Non Ferrous
c. 0.5Mt Plastics



France, BeNeLux & Germany, UK, Nordics and Eastern European Countries

NATIONAL SWORD 2017 PROJECT

Background: China Enacts a New Crackdown on Waste Imports

- Drive to increase the amount of recyclates sourced within its own domestic market, increasing collection and infrastructure development.
- Four years after “Green Fence”, a new program implemented by Chinese government aiming at:
 - Protecting environment by prohibiting “foreign garbage smuggling”
 - Monitoring imports
 - Tracking of “trading cascade”
- Waste flows at stake: all recyclables with specific focus on E-waste, plastics, paper, metals
- Project duration: announced in Feb 2017 for one year, at least
- Joint investigation and international cooperation in order to severely crack down on all illegal activities
- Chinese customs are strengthening controls, physical inspections and creating exclusivity on import licensed companies of foreign scrap material
- Starting June 1st, all scrap material containers are checked using x-ray or physical controls, and materials required to have radioactive measurement

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Direct Short-Term Negative Consequences

- **Impacts on Chinese market**

- Many arrests in China
- Increasing waiting time at Chinese customs inspections resulting in strong increase of financial costs
- Greater scrutiny on admin/paperwork requirements
- Import licenses have been reduced with new issues expected to be significantly lower than previously, these may be restricted to large consumers (paper, plastics)
- Thousands of plastic and paper containers blocked in China and/or sent back (5,000 plastic containers blocked in HK and to be sold through auctions, 3,000 plastic containers blocked at Vietnam border.

- **Impacts on worldwide markets**

- Some grades could be banned in the coming months, post consumer plastics grades, low grade films, mixed paper.....
- Increasing risk on non-compliant materials to tightening quality requirements – 0.3% from 1.5%
- Other Far East countries expected to follow Chinese tightening import restrictions on recyclables
- Sharp decrease in export volumes and sharp decrease in prices on concerned grades from sourcing countries (Europe, US...)

Affects c. 4MT of recovered paper from the UK

CEPI Trade Flows of Paper for Recycling in 2016



¹Other Europe: total Europe excluding CEPI countries

National Sword – Affects 7 million tonnes of imported plastic scrap

○ Current Situation

- Prices started to **drop** from the start of 2017.
- Tighter **quality checks** came in Q1. Followed by **bans** to be confirmed before end of 2017. Clarification of unprocessed and semi processed materials that will be prohibited is being sort.
- **All household post consumer grades are almost certain to be forbidden**, 95:5 film grades and above will be accepted, bottle grades are already no longer allowed.
- Post Industrial scrap is still being exported, as are washed single polymer flakes.
- As of May it was reported that there were over 8000 containers being held at the port awaiting inspection. (source China scrap plastics association)
- In addition there are 3000 containers held in Vietnam.
- **Memorandum issued** by the Chinese Central Committee in April and National Sword indicates that **new homes for plastics scrap** are required both in the Long term and the short term.

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Heightened Restrictions May Open Up Opportunities

- **Temporary limited imports that will potentially pick up gain**
 - Chinese **domestic** paper and plastic supply by far insufficient (collection rates already quite high)
 - Insufficient secondary raw material supply to Chinese industry from abroad
- **Necessary change of attitude of waste management companies to match new requirements**
 - Growing demand from RCP market (China First among others)
 - Structural trend towards improved quality
 - How to bring higher value added to waste
 - Reduction of dependence on export markets (development of more closed loops - circular economy)
- **Worldwide markets answer to Chinese Crackdown should lead to price increase**
 - Premiums for **high quality grades** will most likely increase in the future

Expected Scenario's

- **Paper markets** will be **Volatile** over the end of 2017 and into 2018 as material finds new outlets
- Expect **high stocks** to build up at paper and plastic sorting facilities
- There will be an immediate push to **limit exposure to Chinese market** in terms of volumes, which will create major impacts (upheavals in the worldwide demand/offer balance)
- There will be **increased pressure** on European **haulage routes**, with decreases in container prices for shipments to Asia.
- **More** plastics will find routes to **incineration**.
- There will **need** to be significant **investment** in plastics converters in Europe to recycle what is already collected – new volumes are on the horizon in France and Germany.
- Fundamental trend is towards **higher quality** requirements
- **Pressure** on quality will **move down** the chain from converters to processors and collectors
- There will be pressure on **feedstock qualities and prices** in to sorting facilities