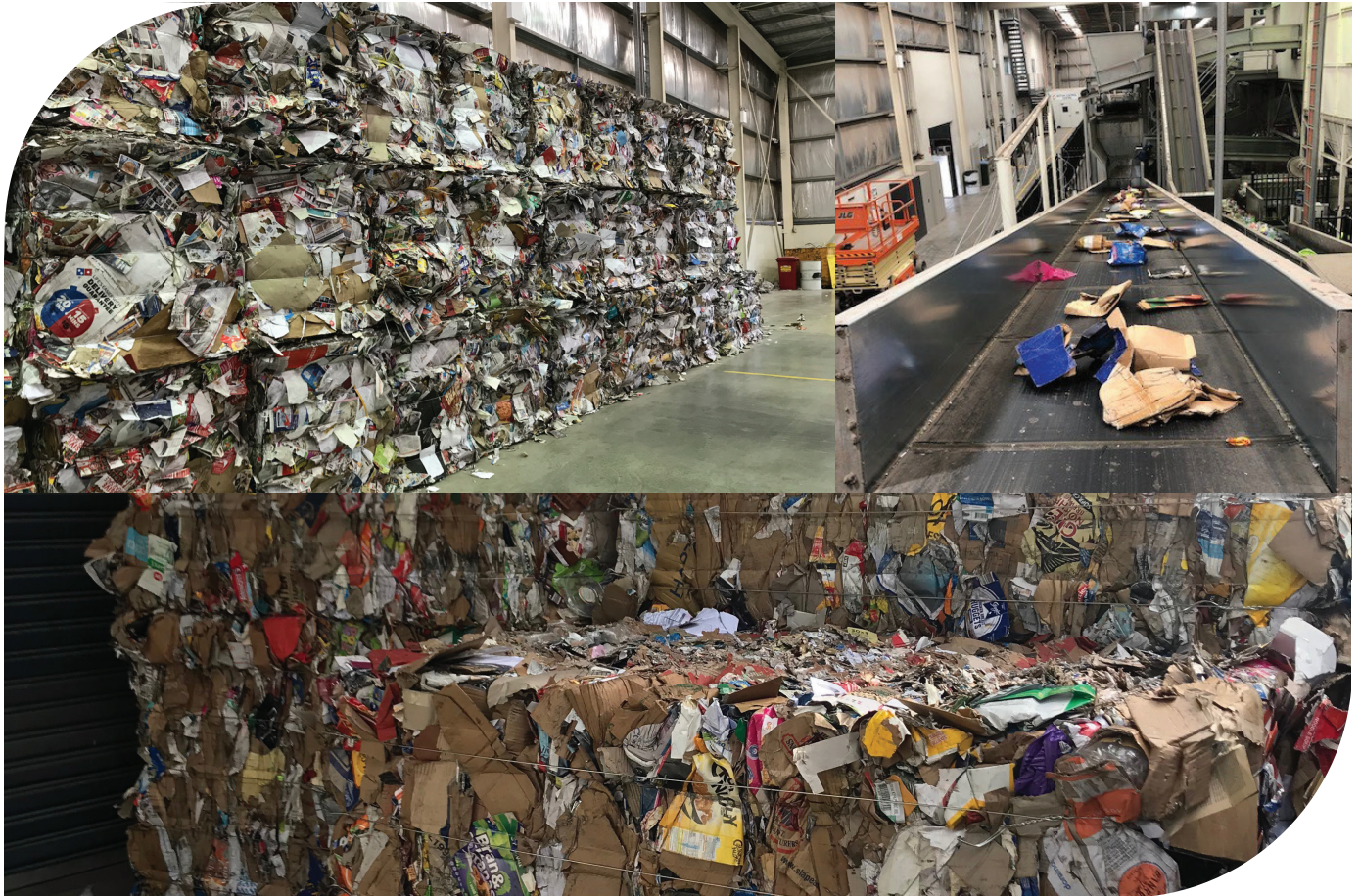


DOMESTIC AND INTERNATIONAL FIBRE (PAPER + CARDBOARD) INDUSTRY – STATUS UPDATE

January 2020



Current situation

Currently around 50% of the content of yellow-lid kerbside recycling bins in Australia is paper and cardboard, which historically generates a significant amount of the revenue from recovered recyclables in a materials recovery facility (MRF).

Commercial and Industrial (C&I) packaging cardboard is also a large revenue stream.

Of the approximately 4.5 million tonnes of recyclables currently exported from Australia, around 1.1 million tonnes are fibre, which go to 'Other Asia' markets.*

* Reference: <https://www.environment.gov.au/system/files/resources/23acbf02-2178-4139-81b0-58adcac4f5cd/files/data-exports-australian-wastes-2018-19.docx>

Current Issues

Demand for recovered paper is very low and supply is high.

Domestic Old Corrugated Cardboard (OCC) index is now nearing zero - i.e., there are no/low rebates being paid for this stream in some circumstances.

Domestic and international Old Newsprint Paper (ONP) index has collapsed and is in negative numbers.

The situation is a buyer's market and prices are reflecting this, which we probably have not seen the worst of yet (typically Jan - Mar is softest demand).

The USA have had 8 million tonnes of excess stock year-on-year, some of which is reportedly being landfilled.

Chinese import quotas generally influence global demand, and have been drastically dropping year on year

RCP (recycled paper) import permit statistics from China[#]

2017	26 million RCP
2018	17 million RCP
2019	9 million RCP (predicted by year end)

[#]Reference: RISI International Fibre and Containerboard Conference - Echo Xu Analyst Fastmarkets RISI

Why?

China has significantly reduced import permits for sorted paper and cardboard. As such, the rest of the world is now over-supplied with this commodity.

Moving forward

- The Australian federal government are consulting on a ban on the export of fibre material by 2022. We need to consider, however, that if material is not permitted to be exported, what alternate options are available?
- Australia's domestic fibre market is heavily concentrated, and both market-share players are currently exporting an oversupply of material
- There is not enough domestic capacity to deal with current tonnages, let alone another 1.1 Million tonnes of fibre
- Limited access to fibre markets has created a market for recycled pulp to be shipped into China from Other Asia and North America. These processing facilities have various capacities ranging from 100,000 tonnes to 700,000 tonnes per year.



Summary and forecasting

In the short term (1-3 years)

There is likely to be some difficulty for MRFs to access markets whilst there is an oversupply of secondary raw materials and limited downstream markets for recycled cardboard end products. We may need to accept that there may be increased gate fees (due to deteriorated revenues) associated with dealing with household kerbside recyclables.

Recovered paper from the world will ship to SE Asia for recovered pulp or for shipping virgin paper to China.

For NAWMA, our recovered paper will continue to be sold to well-run, licensed facilities both on-shore and off-shore. Whilst continuing to build relationships with these mills, we will monitor Australia's capacity to take this material in the longer term.

Contracts will likely move to a Rise and Fall arrangement where both NAWMA and the Council/Contractor share in the risk and reward from fluctuating commodity prices.

In the medium term (3-5 years)

Likely that most SE Asia mills will be in operation and will increase capacity to receive fibre replacing China as a receiver of recovered paper. These mills will increase the export of pulp and virgin paper to China. Influenced by China's environmental protection regulations, SE Asia will also raise the paper grade standard. Some relief and improvement in pricing should be evident as the market stabilises.

Domestic capacity will need to be reviewed and planned infrastructure to onshore all Australian fibre.

In the long term (10-20 years)

We can resolve the problem. SE Asia's paper demands will grow as more factories in the region process finished products to meet global demand due to growing world population and it becomes the destination for other manufacturing industries.

Domestic wetlap/drylap or paper mill would need to be established to onshore all Australian fibre.

What are the opportunities?

- We could modify legislation around product stewardship for imported and domestic packaging. ie. the packaging producer is responsible for the cost of recycling the paper and cardboard.
- We could identify where future demand for product will come from and develop new industry and markets.
- Rise and Fall - we all need to share the risk (and reward).

Take home messages

The system works, we just need to refine it by:

- Implementing legislation and measures to avoid unnecessary packaging.
- Adapting educational messages to improve the quality of material received in the yellow-lid recycling bin to assist with decreasing contamination rates to the required international standard.
- Improving the quality of recovered paper through investment in technology is imperative for business continuity.
- Committing to buying recycled product through procurement processes to facilitate the creation of more circular industries.
- Clean, sorted, baled fibre is a commodity - not a waste, and we all need the option to export this commodity in order to maintain competitive tension in the domestic market.

Our Constituent Councils

