Plastics Recycling:
PLENTY OF ROOM FOR GROWTH

At the BIR World Convention in Dubai, recycling industry experts examined some of the major issues facing the plastics recycling industry worldwide and the current situation in this sector particularly in the Middle East region including issues such as current recycling rates, raw material availability (or lack of it), price issues, and other challenges and opportunities in this industry.

Given the recycling rates of only 25% in Europe and 12% in the USA, plastics recycling remained "a very promising business" with plenty of scope for further development, Surendra Borad of Gemini Corporation NV, Belgium, said in his Chairman's address at the BIR Plastics Committee meeting held in Dubai on May 20.

He said the Middle East is a new region for plastics recycling and it is still in a nascent stage. Focusing on the question of whether oil and plastics scrap prices followed each other or not, he traced the recent developments in the values of both commodities. He noted that, when oil prices were declining during March this year, plastic scrap values increased to levels above those that had prevailed before the initial oil price drop. "I believe there is no correlation between plastics scrap and oil prices," Borad said, also pointing out the reasons for this, including the relative immaturity and low volumes of the scrap market as well as the influence of regulations and quality.

Touching upon India, he said though he had expected certain changes in trading pattern and import policy of India with a new government in place, nothing much had changed so far and "there are still a lot of restrictions on import of plastic scrap, only a limited number of companies (about 30) are allowed to import into India and no new licences have been granted." In fact, he said, there were rumours that further restrictions would be introduced on plastics scrap imports into India.

"The market is quiet dull. The past six months were good but now it is dull again and I suspect it will remain dull for the foreseeable future."
- Surendra Borad

"The market is quiet dull. The past six months were good but now it is dull again and I suspect it will remain dull for the foreseeable future," Borad emphasised.

BIR Plastics Committee member Dr. Steve Wong of the China Scrap Plastics Association pointed to a slowdown in China owing to a drop-off in exports and the higher costs of processing domestically. "Most of the time because of the competition in China we see our buying price is always higher than our selling price."

"Because of the slowdown in our economy, we are facing a structural change in the industry, possibly because of less overseas demand for our products. Secondly, because of the high cost of processing in China a lot of people choose other neighbouring countries for processing and ship back the processed material to China."

Another issue is governmental controls related to environmental issues, he said, adding that the customs and environment agencies are working together to introduce new regulations to stop importation of any contaminated material, "and this is what we're going to see in the second half of the year" he noted.

According to a European market report submitted by Pawan Birla of Gemini Corporation NV, polyolefin prime plastic prices had jumped by about Euro 400 per ton in the last three months, the reason being lower availability of prime material and high feed cost. A lot of processing plants worldwide were being shut down which gave further impetus for prices to go up and the weak euro against the dollar reduced the scope of imports into Europe encouraging the local producers to increase prices rapidly. Plastic scrap market is also following the pattern of prime plastics as recyclers could move their reprocessed material at high prices. Nevertheless, he pointed out that converter resistance could lead shortly to an easing of prime plastic prices from their currently elevated levels. However, owing to lower availability of plastics scrap, prices could be sustained at the current level.

Guest speaker Mahmoud Al Sharif Jr, Purchase Officer, Sharif Metals Int'l, said the UAE recycled about 40,000 to 50,000 tons of plastics scrap per year, while the figure for Saudi Arabia was closer to 100,000 tons. In general, plastics recycling industry in the Middle East is nascent and large volumes of scrap are shipped to other countries for recycling. Yet, he said plastics waste constituted a major environmental challenge for the Middle East considering the high rates of plastics consumption per person annually in the GCC region.

In her presentation, guest speaker Katharina Goeschl, until recently General Manager of Emirates Environmental Technology LLC in the UAE, provided an overview of the plastics recycling industry in the Gulf Cooperation Council (GCC) countries, focusing on the challenges and opportunities related to this segment in the region.

The MSW market in the GCC-Levant region is huge with one of the highest per capita waste generation in the world. About 34 million tons of municipal solid waste is generated per year in this region, with 6.5 million tons in AUE alone, she noted. The current composition includes a lot of organics, but about 20% constitutes plastics and unfortunately most of it goes to the landfills.

Goeschl said very few manufacturers are present in the region, but there are a lot of traders with a good international network. Again, plastics recyclers are not many and most of them are small ones. There are very few major recycling companies (like EET), producing around 30-50,000 tons of reprocessed material per year. One of the main reasons for this is that the waste management sector is not well developed, so a lot of the material ends up in landfills.

"The MSW market in the GCC-Levant region is huge with one of the highest per capita waste generation in the world. About 34 million tons of municipal solid waste is generated per year in this region, with 6.5 million tons in UAE alone. The current composition includes a lot of organics, but about 20% constitutes plastics and unfortunately most of it goes to the landfills." - Katharina Goeschl

Cost wise, she said labour and service costs are low and there is no tipping fees as such, but rental costs are high. "In this part of the world you don't get paid for recycling and you have to pay for your own material, one of the main differences from the rest of the world."

She mentioned there is a certain level of cooperation between the government and private sector in the form of PPPs, but it's not common. Specific strategies are not yet in place, though municipalities are working on different programmes and "there is still a lot of change to come".

In terms of raw material availability, the two main sources are post-consumer and post-industrial. Goeschl identified key issues with regard to post-consumer including a lack of material availability; low recovery rates; and at the moment, very few material recovery facilities (MRFs). Post-industry raw material was also subject to low availability despite high levels of demand and prices exceeding those prevailing internationally. Moreover, there is heavy competition as traders with a wide international network acquire the raw material and export most of it. Another major issue is that import of raw material is not allowed, which means the recyclers have to operate with what they can acquire locally, so prices tend to be high. An opportunity for recyclers would be to get more involved in the process going upstream in the value chain to secure their raw material. Yet, one can look forward to a change in the situation overall with UAE Vision 2021 which aims to divert 75% of the waste away from landfills.