

Plastics News

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Higher prices for recycled resin mostly seen in markets with content mandates

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Unilever/File photo

High density polyethylene bottles baled for recycling.

Sharply higher prices for recycled plastics are a "wonderful situation," but the gains are more confined to markets with legal requirements for mandated recycled content, according to a panel at an industry conference.

Plastics recycling companies are benefiting from high material prices, but some experts see the gains being more limited to those markets with laws mandating recycled content.

At least that was a theme of a panel at a June 2 recycling conference, where executives said the benefits were being felt most strongly by companies in markets with solid demand pull from legal requirements.

Sally Houghton, deputy executive director of Plastics Recycling Corp. of California, said the sharply higher prices and demand for recycled plastic in recent months are in some ways a "wonderful situation" for recycling.

"I think we're in a really lucky position," she said during an online panel discussion held by the Brussels-based Bureau of International Recycling. "I think we are at a position where we've been hoping we would get with demand and markets."

But she told the audience at BIR's World Recycling Convention and Exhibition that the gains have been more confined to markets with legal mandates. She pointed to a new law in California requiring recycled content in PET beverage bottles.

Soft drink and beverage makers are willing to pay higher prices for recycled materials because of the law, but that's not the case in other PET recycling markets, where some companies selling flake were facing liquidity issues, she said.

"The brands need that material, the pellets, and are willing to pay that higher price because of the mandates, but what we're finding is the reclaimers that make flake ... into the packaging markets, because there's no mandate there, they are really struggling to meet the bale prices," she said.

"I think it's those that don't make the bottle-grade material that are going to continue to struggle," Houghton said. "That's an interesting dynamic that we're having here."

Lawmakers in California are debating legislation that would extend recycled-content mandates to thermoformed PET and polypropylene packaging, seeing it as a way to strengthen those markets.

And Houghton noted a plastics packaging recycled-content law that passed in Washington state in April.

Another panelist echoed Houghton's comments on legal mandates.

"Sally is perfectly right, it's all about the mandates, and the mandates that target specific products," said Max Craipeau, CEO of Hong Kong-based Greencore Resources Ltd.

"If you are upstream of the value chain and your products can go to end products which are not connected to the mandate, like sheet application or polyester or whatever, then you do not benefit from the mandate," he said. "So it's really the legislators [who have] a big, big part to do in the future, for PET as well as for others."

Other members of the panel also said legislation building infrastructure and design for recycling would be long-term keys.

Eelco Smit, senior director of sustainability with Dutch multinational consumer goods maker Philips NV, said the firm wants to quadruple its use of recycled plastic in its products to 7,600 metric tons by 2025.

As examples, he said the company is making vacuum cleaner housings with 95 percent post-consumer polypropylene and non-food contact parts of coffee makers with 75 percent recycled plastics.

He said as the company started to work with recycling firms, it learned it needed to create markets for recycling the plastic in its products.

"We came to realize, if we want to make sure that the plastics in our products get properly recycled, we also have to create a market for recyclers to invest in," Smit said.

He sees roles for companies and governments in improving recycling, particularly for extended producer responsibility legislation.

"I think there's a lack of proper EPR legislation around the world," Smit said. "I think there's too many countries where there's not a good system in place to really force all stakeholders to work together to set up the recycling system and make sure that the financing is in place to properly sort it out."

Houghton said she saw markets for recycled plastic and virgin plastic starting to decouple, which she said would be positive for the stability of the recycled PET market.

"This decoupling of virgin prices and PCR or [recycled] PET prices is only a matter of time as well, as these mandates kick in," she said. "We're already seeing that, but I think it's going to become more of a reality."

Inline Play

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