Loss of red diesel entitlement: A serious threat to the UK Metals Recycling Sector and the Government's Circular Economy ambitions.

The metals recycling sector in the UK is currently facing several serious impediments to its operating model that could result in it failing to meet recycling targets and, more importantly, significant environmental impacts. Alongside significant increase in electricity costs, the sector must now deal with the loss of our red diesel entitlement.

The British Metals Recycling Association (BMRA) represents the £7.5 billion metals recycling sector, which comprises an estimated 2,500 businesses and employs over 15,000 people. The industry trades and processes over 10 million tonnes of ferrous and non-ferrous metals every year, including: steel, aluminium and copper. On average, we export eight million tonnes every year: or 80% of all scrap arisings in the UK.

The metals recycling industry is a significant net contributor to UK balance of trade and contributes more than any other sector to UK 'producer responsibility' targets, such as end-of-life vehicles, packaging, batteries, waste electrical and electronic equipment.

More importantly, metals recycling protects the environment. Scrap metals are secondary raw materials whose use reduces the demand for precious natural resources needed to make new metal compounds – such as iron ore in steelmaking; nickel in stainless steel; or alumina and bauxite in aluminium smelting. For example, every tonne of recycled steel saves:

- 1.5 tonnes of iron ore
- 0.5 tonnes of coal
- 70% of the energy
- 40% of the water
- 75% of CO_2 emissions

The figures for aluminium and copper are even more impressive. The recycling of copper requires up to 85% less energy than primary production. Around the world, this saves 40 million tonnes of CO_2. Recycling aluminium uses 95% less energy than producing aluminium from raw materials and saves 97% of greenhouse gas emissions produced in the primary production process.

Loss of this entitlement will have a crippling impact across the whole sector and its customers. Not only could we see significant job losses, but unscrupulous operators – who are probably already operating without an environmental permit – may choose to process materials in an improper or illegal way in a drive to cut costs.

Having undertaken member research, BMRA estimates that the average cost to each business of moving to regular diesel will be some £232,641 per annum, a sum that many smaller businesses will simply not be able to meet. These figures, however, were calculated before the global economic uncertainty and skyrocketing fuel prices, so it is no unreasonable to assume that these costs could double making it almost untenable for many businesses to continue operating.

This figure does not include the very significant additional cost of buying new hybrid or electric scrap handling equipment, which is not yet widely available or practicable.

Most options available require the plant to be physically attached to a power source – even mobile plant which would result in trailing cables being dragged all over the site. The premium on replacing diesel powered plant for an electric or hybrid model is significant; for example, a basic material handler attracts a premium of £50,000.

Finally, 30% of BMRA members do not have access to the Grid or sufficient power to meet their needs. Many are not located near the infrastructure required to access sufficient power and the cost to connect to such power ranges, on average from £70,000 to over £2 million.

While the sector supports the Government's drive to improve air quality, we believe that the impediments set out above could devastate the metals recycling industry. The knock-on effects would impact both the UK economy and could lead to deep ramifications for the environmental landscape across the UK.

Put simply, if the cost of processing outstrips the value of the metals, then the UK could face a situation where businesses turn away items such as end-of-life vehicles and waste electrical and electronic devices because it is not worth taking them in.

If scrap yards don't take ELV, then they could end up abandoned. Price comparison website Confused.com put in a Freedom of Information request to local authorities, which shows that, in 2012 when the price paid for an ELV was £140 just 40,876 scrap cars were abandoned. In 2016 and 2017 when the price for ELVs had fallen to around £55, this led to 261,724 being abandoned. This could be repeated in other materials seriously impacting the Government's Circular Economy ambitions.

To secure the future of metals recycling in the UK, to reduce potential environmental harms and to stop local councils having to pay clean-up costs, we are therefore asking the Government to a) give the sector more time to transition away from red diesel and b) consider setting up a grants scheme to enable operators to invest in new technologies.

For additional information on this issue, please contact Antonia Grey:
e. antonia@recyclemetals.org t. 01480 455249