

David Halldearn
Director, BETTA
Office of Gas and Electricity Markets (Ofgem)
9 Millbank
London SW19 3GE

1st October 2003

Dear David,

Consultation on transmission charging, in the context of the Government's policy objectives for growth in renewables

The Waste and Resources Action Programme is a major national initiative (funded by DEFRA, DTI and the devolved administrations) with a substantial remit to support the delivery of the Government's waste and resources management objectives (see www.wrap.org.uk). Our particular focus is the development of stable and efficient markets for the recycling of waste materials, including wood and organic waste.

We wish to respond to the above consultation process. With regard to section 7.45 of the consultation document, we propose that post-consumer waste wood suitable for recycling is removed from the definition of renewables (biomass). We propose this with the aim to avoid distortion of the market for waste wood recycling that threatens to undermine the overall level of wood waste recycling in the UK. This in turn, could threaten the ability of the UK to discharge its obligations under the EU Packaging Directive and Landfill Directives. As a result of the importance we place on this issue, WRAP has notified DEFRA, the Welsh Assembly Government and DTI of its concerns. The development of markets for materials recycling is a cornerstone of Government policy for waste and resources management. This is confirmed in a report¹ by the Prime Minister's Strategy Unit, in which increased recycling is identified as a key element of the UK's waste management strategy.

Since the introduction of the Renewables Obligation Order, energy generating companies have been actively seeking sources of waste wood (as biomass) for energy production. They are actively targeting companies involved in the collection and processing of wood waste for supply to recyclers. We already know that this is causing recyclers to be concerned over the security of their future waste wood supplies for recycling and as a result they are now not so confident to invest in recycling infrastructure. In fact, a proposed recipient for WRAP grant funding, a major panel board manufacturer, withdrew its commitment to a major project as a direct result of this issue. This project would have enabled a significant increase in UK wood recycling thus supporting the achievement of Packaging Directive targets.

¹ "Waste not, Want not - A strategy for tackling the waste problem in England", November 2002

Wood waste recycling in the UK is immature and as such the wood waste collection, processing and reprocessing supply chain is underdeveloped. We wish to support the growth of added value recycling applications to enable commercially sustainable increases in activity in the long term. This will require more sophisticated wood waste processing to generate suitable feedstock for new recycling applications. If waste wood supplies become contracted to energy generators undesirable outcomes could be realised on two levels. Firstly wood waste collectors and processors will not be motivated to improve the quality of their processing activities to meet the demands of more sophisticated recycling applications. Secondly, investment in existing and new recycling applications will become less commercially viable. An early example is the failure of the investment cited above. However the more serious implication could be reduced investment in new recycling applications, which will necessarily already be more risky and will become more so if feedstock security is undermined.

Our assessment is that the Renewables Obligation Order is effectively creating a subsidy for the use of waste wood for energy recovery as opposed to recycling - this contradicts the waste hierarchy that Government holds as a central principle in its waste management policy.

In summary, we strongly recommend that steps are taken to ensure that the achievement of waste management policy objectives to increase recycling are not undermined by legislative tools for the development of renewable energy.

Yours sincerely,

A handwritten signature in black ink, reading "Jennie Price". The signature is written in a cursive style with a long horizontal line extending from the top of the first letter.

Jennie Price
Chief Executive

CC Sheila McKinley, Waste Management Policy, DEFRA